

Kannaland, the municipality that works.

“The Place of Choice”

To create the ideal environment in which the people of Kannaland would like to live and work.



“Kannaland
Municipality Final
Annual Report
2017/18”

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INTRODUCTION

ABOUT THE 2017/18 ANNUAL REPORT

This report offers an overview of the operations, financial, non-financial activities and the performance of Kannaland Municipality for the 2017/18 financial year. The annual report is prepared in terms of Section 127(3) and the process has been trailed as per section 127 (3) (a-c) stipulated in the Municipal Finance Management Act (MFMA).

The Annual Report comprises of six chapters with the following broad overview:

Chapter 1: An overview of the Municipality's social and demographic profile and key highlights regarding finance, performance and service delivery.

Chapter 2: Details about the governmental workings of the Municipality addressing the key aspects of good governance.

Chapter 3: Highlights the Municipality's performance for the year, focussing on the service delivery and the Pre-determined objectives of the Council.

Chapter 4: Provides insight into the Human Resources and organisational management areas of the Municipality, focussing on organisational structure and legislation.

Chapter 5: An overview of the Municipality's financial performance, reflecting on the Municipality's financial position, assets, cash flow and intergovernmental grants received by the Municipality .

Chapter 6: An overview of the audit key findings per the Auditor-General

Volume II: Annual Financial Statements

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: FOREWORD OF THE EXECUTIVE MAYOR



I am pleased to present Kannaland Municipality's Annual Report 2017/2018, covering the period 1 July 2017 to 30 June 2018. To become increasingly accountable in our reporting, we present an integrated Annual Report which emphasizes the connection between our strategic planning processes and our operational achievements. Accordingly, we share our successes and challenges during the year in the context of the strategic imperatives of our IDP.

The report provides a measure of our progress in line with the approved 2017/22 IDP priorities of the Municipality. The year under review marked the 100th anniversary of the birth of democratic South Africa's first president, Nelson Rolihlahla Mandela. What better way to honour him than by ensuring that we do indeed create a better life for all Kannaland residents. We work towards building a future where all citizens have equal access to services, and one in which all citizens have a share in our country's wealth.

When we assumed office we did so on the back of priorities and commitments which directed us to:

- Build local economies to create more employment and sustainable livelihoods;
- Improve local public services and broaden access to them;
- Build united, non-racial and integrated safer communities;
- Promote community participation in local government; and
- Build a more effective, accountable and clean local government that works closely with provincial and national government.

To become increasingly accountable in our reporting; and to enhance in respect of our budgetary, monitoring and oversight processes, we present an integrated Annual Report which emphasises the connection between our strategic planning processes and our operational achievements. Accordingly, we share our successes and challenges during the year in the context of the strategic imperatives of our IDP.

During the period under review, we have been able to set Kannaland on a higher service delivery trajectory. Kannaland must adopt a new economic growth trajectory to deliver a better life for the people and change the economic fortunes. The year under review saw strong partnerships and collaboration between Kannaland and the Southern Cape Economic Partnership (SCEP) and WESGRO. These efforts were undertaken to stimulate and grow the rural economy of Kannaland.

Building the requisite internal capacities at the Municipality has turned out to be a formidable challenge. For this reason, enhancing the capacity of Kannaland has risen to the top of the Municipality's development agenda. The process of learning how capacity can be built effectively is a continuing one.

Despite the ongoing drought and water shortages, we have been able to provide residents with clean drinking water on a daily basis. We have to dramatically increase our water storage capacity as we move forward. Kannaland can revive its backbone agriculture sector with continued investment by government in expanding the water storage capacity.

The Municipality progressed significantly in achieving objectives with regard to the five key performance areas applicable to local government and which is outlined in this Annual Report:

- Basic service delivery and infrastructure development
- Municipal transformation and development
- Local Economic Development
- Municipal financial viability and management
- Good Governance and Public Participation

In 2017/2018 we attained some notable achievements firstly, by improving our ability to monitor and measure the implementation of strategic priorities — a critical focus area for the last two years. This entailed further aligning of key performance indicators with the strategic priorities that drive our implementation processes.

I would like to take this opportunity to acknowledge efforts of the Municipality's leadership and administration in positively advancing the Municipality's strategic and transformative agenda during the year. I want to thank them for their perseverance and readiness in boldly implementing the objectives of the IDP in the context of a changing and increasingly unpredictable development paradigm.

MAGDALENA BARRY
EXECUTIVE MAYOR

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW



The 2017/18 Annual Report of the Kannaland Municipality provides a summary of the year under review. Kannaland Municipality closed another stressful, eventful and successful fiscal year in 2017/2018. A heightened spirit of quality service delivery was carried through from the 2016/2017 financial year into the period under review.

The 2017/18 financial year was a significant one in that it marked 24 years of democracy in South Africa.

Despite the external environment challenges, the 2017/2018 financial year is important as far as the identification of shortcomings and planning for the successful and sustainable turn-around and financial recovery of the Municipality are concerned. Progress have been made with performance management and monthly monitoring of the achieving of strategic objectives of the IDP and Council. The 2017/18 financial year is also the year in which the dysfunctional financial system, together with administrative shortcomings created havoc in the fact that credible figures could not be obtained from the system for in-year reporting and the compilation of the Annual Financial Statements.

The fact the financial system is not MSCOA compliant, is a major concern. Due to the lack of internal capacity, Mubesco was appointed to recover transactions, ensure that correct information is uploaded onto the financial system, to update the asset register and to do an asset verification. Progress is being made in various quarters to further entrench the sustainable recovery that Kannaland Municipality is making.

This Annual Report 2017/2018 is submitted in the wake of the worst drought that has wreaked havoc with the rural economy of Kannaland. The Municipality has shown resilience in the face of the crippling drought, and together with all stakeholders, including the community, national and provincial governments and other stakeholders, the Municipality has ensured that Kannaland Municipality's taps do not run dry.

There are many highlights and improvements made to service delivery mechanisms, alignment of services to IDP indicators and Council priorities; service delivery performance; financial

sustainability or initiatives initiated during the year to improve overall efficiency and effectiveness of the Municipality, including:

- Appointment of a Municipal Manager and Chief Financial Officer;
- Development and approval of the Financial Recovery Plan;
- Approval and implementation of a more functional and affordable Organisational Structure and re-design of the Administration to refine the staff establishment and staff training plans;
- Addressing the negative organizational culture of poor discipline with more consistent and progressive discipline;
- Taking action on financial and other misconduct;
- Repair of 32 houses damaged by a storm on 13 December 2017;
- Acquisition of funding for new Emergency Housing Project to repair more storm damaged houses;
- Zoar Infill Housing project in Protea Park -East are being finalized;
- Replacement of asbestos roofs: application for funding sent to the Department of Human Settlements for an erf by erf assessment;
- Zoar new housing project (Greenfields): funding application for this project (opposite Maxis) was resubmitted and approval of funding is being awaited;
- Title Deeds have been handed over to beneficiaries in Zoar;
- Upgrading of the Ladismith Library;
- Audit and planning to upgrade the water and electricity networks within the municipal area to secure electricity supply, water usage as well the storage thereof;
- Donation of a fire-truck and training of fire fighters;
- Review of budget related policies; and
- The completion of the second phase of Zoar road upgrading etcetera.

Comments on the financial performance are reserved until the completion of the Annual Financial Statements. The Financial Recovery Plan was approved in 2017 and remains the roadmap to attain a financially sound, resilient and inclusive Municipality. The Municipality's overall performance against stated objectives was good, with many citizens receiving tangible benefits through Municipal initiatives and programs.

Overall municipal sustainability and water security manifested in a real threat. Subsequently the Administration focused on and sought means to improve corporate and institutional governance, income enhancement, financial operations, development, and infrastructure and service delivery

sustainability. In terms of the Section 139(5) provincial and national government is assisting Kannaland Municipality with the required capacity to effect the required turn-around.

However, more work is still required to reach the desired levels of excellence in service delivery. The Municipality has ensured the alignment of services between the Integrated Development Plan 2017-2022, Budget and the Service Delivery Budget Implementation Plan. Monitoring and evaluation capabilities have improved with the acquisition of the Ignite Performance Management system.

Despite the ongoing economic challenges experienced globally, Kannaland Municipality continued to maintain quality basic services to the community.

The Municipality has made small strides in creating work opportunities for the unemployed and unskilled Kannaland residents this financial year, with a specific focus on the unemployed youth. The Expanded Public Works Programme (EPWP) was the key vehicle used to address the challenges of unemployment and lack of economic opportunities in Kannaland.

Through these targeted interventions, the Municipality created short-term labour-intensive work opportunities and opportunities for small business development. In the 2018/19 financial year job creation and marketing of Kannaland for investment (as well as a tourism destination) together with the business community will receive priority to increase economic growth and sustainable job creation.

The Municipality also undertook a comprehensive programme of service delivery turnaround to ensure that multi-level reviews are done throughout the Municipality, ensuring that management is held accountable for effectively managing the resources they are provided with and for achieving committed targets and deliverables. In the year under review, the Mayoral Committee and Council held regular meetings as scheduled with a 100% attendance by all Councillors.

In striving to achieve a Clean Audit Status, the Municipality aggressively implemented a programme to ensure fiscal discipline which includes optimisation of collections, decrease in non-revenue water and energy and losses in this regard, financial viability and sustainability. The Municipality focused on improving liquidity ratios, clean and effective administration by enhancing internal audit processes as well as increased regulatory compliance.

Across the Municipality, planning is guided by the requirements of the NDP. The Municipality contributes to a number of national outcomes including Outcome 9, a responsive, accountable, effective and efficient developmental local government system. This is expressed through the aggressive implementing of interventions targeted to the promotion of fiscal discipline and a clean and effective administration.

Kannaland Municipality maintains good intergovernmental relations in all spheres of government. Shared services agreements have been initiated with Eden District Municipality (disaster management) as well as risk management (Oudtshoorn Municipality and the District Municipality). Whenever Kannaland is experiencing a problem, the abovementioned municipalities and Hessequa Municipality are more than willing to assist. (Planning and internal audit)

While the Municipality made great strides in meeting the performance targets set for the year under review, it acknowledges that there are still significant opportunities to optimise the levels of performance. More investments in the people of Kannaland, our local economy and the environment is needed to transform the quality of life in our communities.

I extend my heartfelt thanks to the Mayoral Committee, Council, and all dedicated officials who worked tirelessly to ignite and achieve excellence. I also wish to thank our visionary Executive Mayor for her support in providing my team and I the opportunity to deliver quality services to all those who reside and work in Kannaland.

REYNOLD STEVENS
MUNICIPAL MANAGER

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

This report addresses the performance of the Kannaland Municipality in the Western 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 provide regular and predictable reporting on programme performance and the general state of affairs in the Municipality.

The 2017/2018 Annual Report reflects on the performance of Kannaland Municipality for the period 1 July 2017 to 30 June 2018. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), which stipulates that the Municipality must prepare an Annual Report for each financial year.

Vision

The place of choice: - To create the ideal environment in which the people of Kannaland would like to live and work

The Municipality is legally compelled to create, within its means, the environment conducive to economic growth. The environment influences one's choices; the choice of a working place, residence and for investors, the place to invest and to contribute towards the economic growth of the community. It is up to the leaders of this Municipality to create that ideal environment that would not only make those already here, to want to remain here, but also to retain and draw the highly skilled individuals, investors and entrepreneurs who would contribute towards ensuring that Kannaland improves and becomes a most sought-after destination.

The Constitution of the Republic of South Africa, 1996 (the Constitution) stipulates the objects of local government in section 152 as:

- a) *To provide democratic and accountable government for local communities,*
- b) *To ensure the provision of services to communities in a sustainable manner;*
- c) *To promote social and economic development;*
- d) *To promote a safe and healthy environment; and*
- e) *To encourage the involvement of communities and community organisations in the matters of local government.*

The Municipality strives to comply with the objects of local government and to attain the ideal environment, as elaborated upon in this document, by:

- Caring for youth, women and disabled by reducing inequities;
- Eradication of poverty and creating an environment conducive to job creation;
- Eradication of fraud and corruption;

- Ensuring sound financial practices,
- Practising good governance;
- Promoting community involvement (including the business community) in local governance, economic growth, development of entrepreneurs and job creation;
- Practicing the Batho Pele principles of courtesy and respect;
- Promoting and developing tourism; and by
- Sustainably stimulating the local economy.

It is envisioned that the municipal vision will be achieved through:

- Encouraging self-reliance;
- Ensuring co-ordination and collaboration of various stakeholders in the delivering of development in a sustainable manner;
- Promoting a healthy and vibrant community with high moral standards;
- Unlocking the development potential of the area, particularly tourism and indigenous knowledge and mobilizing investment; and
- Ensuring everyone will be active in the economy and utilize technology to the advantage of the Municipality and attract and keep a highly skilled work force.

Kannaland Municipality is classified as a Category B Municipality (a local Municipality) located in the Eden District Municipality and is responsible for basic service provision to the towns of Ladysmith, Calitzdorp, Vanwyksdorp, Zoar and surrounding rural areas.

MUNICIPAL FUNCTIONS

The Municipality is structured in three directorates namely, Corporate Services (Administration and Community Services), Finance and Technical Services. The Technical Services department currently reports directly to the Municipal Manager as the position of Director: Technical Services has been vacant for the entire year under review and remains vacant as a cost-cutting measure.

The Municipality's administration comprises of the following departments and functions:

DEPARTMENT	FUNCTION (SECTION)
Municipal Manager	<ul style="list-style-type: none"> • Integrated development planning • Corporate strategy • Performance management • Communications • Inter-governmental relations • International relations • Local economic development and tourism

DEPARTMENT	FUNCTION (SECTION)
	<ul style="list-style-type: none"> • Spatial development planning • Internal Audit • Risk Management
Financial Services	<ul style="list-style-type: none"> • Revenue management • Expenditure management • Budget preparation and management • Preparation of financial statements • Information Communication and Technology (ICT) • Supply chain management • Asset management
Corporate and Community Services	<p>Community Services</p> <ul style="list-style-type: none"> • Libraries • Cemeteries • Sport, parks and recreation • Community development • Property Development • Solid waste management • Integrated Human Settlements (housing) • Land use management • Building Control and Town Planning • Heritage Management • Environmental Management • Public Safety and traffic services • Disaster management <p>Administration</p> <ul style="list-style-type: none"> • Human Resources • Committee Secretariat • Legal Services • Policy formulation • Records Management • Knowledge management • Integrated Transport
Technical Services	<ul style="list-style-type: none"> • Engineering Services • Roads and storm water • Waste water services (Sanitation) • Water services • Electrical services • Fleet Management • Mechanical workshops (pumps, implements and vehicles) • Project management: MIG, RBIG, ACIP and other infrastructure projects

TABLE 1: FUNCTIONS PER DEPARTMENT

DEMOGRAPHICAL OVERVIEW

Kannaland Municipality is situated in the Western Cape, 325 kilometres from Cape Town. The Municipality covers an area of 4,758 square kilometres in the Little Karoo, stretching from the Swartberg Mountain in the north to the Langeberg Mountain in the south, and from the Anysberg Mountain in the west to the Gamkaberg Mountain in the east.

The largest town and also the location of the municipal headquarters is Ladismith. Ladismith is situated at the foot of the picturesque Swartberg Mountains, as is Zoar and Calitzdorp to the east. Vanwyksdorp is further south in the valley of the Groot River.

Industries and activities in the various towns include:

TOWN	INDUSTRIES
Ladismith	Ladismith Cheese factory
	Parmalat Dairy factory
	Tourism: Hiking trails amongst the Swartberg ranges, Stanly's Liggie as well rock climbing to the well-known Towerkop peak.
	Southern Cape Vineyards (also exports wine)
	Scenic drives around the game reserves
	The town boasts an unique Ladismith architectural style which is a combination of Victorian, neo-gothic, Edwardian, Cape Dutch Revival and Regency.
	The economy of the town is mainly centred on the agricultural industry, which includes the production of fruit (grapes, apricots, and plums), milk, wine, flowers and mutton.
	Accommodation available in town as well as amongst picturesque winelands, abundant fruit farms and the magnificent Towerkop Mountain.
Calitzdorp	Port wine capital of South Africa
	Wine exporting farms
	Calitzdorp can also be explored through its hot springs, back packers facilities, hiking and biker trails as well camping sites with relaxing accommodation.
	The general architecture of the central village area of Calitzdorp is English-derived and its beauty is that of severe simplicity in the so-called Karoo style.
	Calitzdorp falls within The Cape Floral Kingdom region which has been called the world's hottest spot for plant diversity and endemism. The flora is so diverse and unique that it warrants classification as one the world's six principal floristic regions.
	The town is known for its art and craft assembles: <ul style="list-style-type: none"> ➤ Elnatan Food Stall and Solar Cookers ➤ Groenfontein Toy Project ➤ Hand Made Ceramic Tiles ➤ Homemade pickles and preserves ➤ Wemasi handmade dolls (doll project) ➤ Local art painters ➤ Art gallery
Zoar	Started as a Lutheran missionary station Restored church building and historic grave yard and farm buildings Historic scenic drive through Amalienstein Hiking trails through the Seweweekspoort
Vanwyksdorp	Popular for its rural character

TOWN	INDUSTRIES
	Vanwyksdorp Development Institute (non-profit organization aimed at socio-economic upliftment of poor rural communities) Learning campus to acquire skills and incubate entrepreneurial activities
Hoeko Valley	Birthplace of C J Langenhoven, famous South African writer (composer of the anthem "Die Stem") Water monument Fruit production

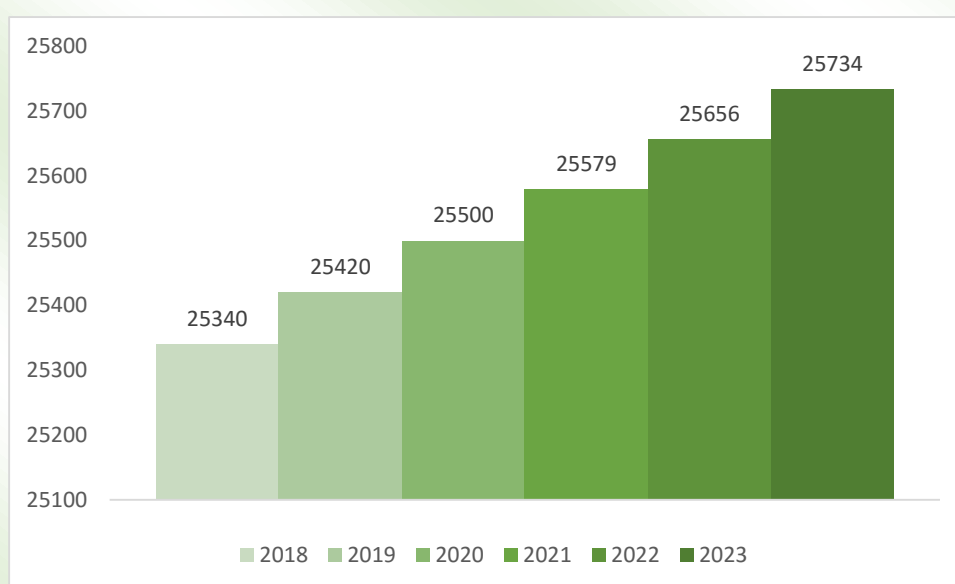
TABLE 2: KANNALAND INDUSTRIES AND ACTIVITIES

POPULATION PROFILE

The table and graph below indicates the population forecasting of Kannaland population

POPULATION FORECASTING	
YEAR	KANNALAND POPULATION
2018	25 340
2019	25 420
2020	25 500
2021	25 579
2022	25 656
2023	25 734

TABLE 3: POPULATION OF KANNALAND – SOURCE: LOCAL GOVERNMENT SOCIO ECONOMIC PROFILE, 2017



The municipal area had an estimate population of 25 340 during 2018 and expected to increase to 25 734 over the next five years. This equates total estimated growth rate of 1.55 per cent for this period.

HOUSEHOLDS

The table and graph indicates the number of households and indigents within the municipal area. The numbers of total number of households emanates from the community survey conducted in 2016 by statssa and MERO 2017 whilst the poor households were retrieved from the municipal financial system.

DATA SOURCED – SA 9		
Economic Indicator	2016 Community Survey	2017/18 MERO 2017
Number of households in municipal area	6333	7537
Number of poor households in municipal area	2059	2388

TABLE 4: DATA SOURCE - SA9: MERO 2017, COMMUNITY SURVEY 2016 AND SAMRAS

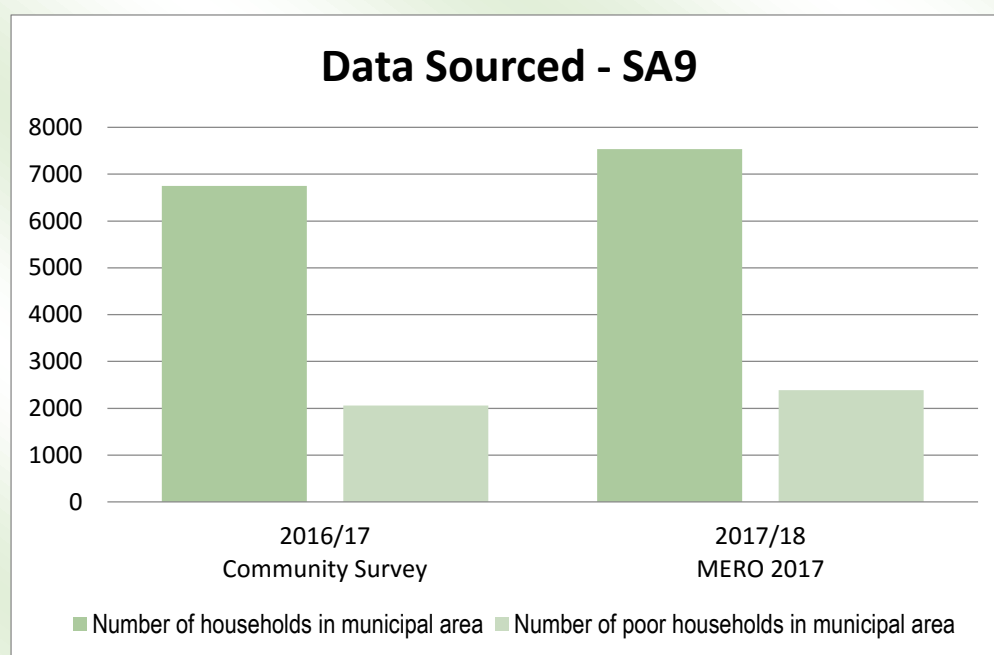


FIGURE 1: DATA SOURCE - SA9: MERO 2017, COMMUNITY SURVEY 2016 AND SAMRAS

SOCIO ECONOMIC STATUS

Socio Economic Status								
Year	Housing Backlog as proportion of current demand	Informal settlements	Access to basic services	Access to free basic services	Unemployment Rate	Skilled	Semi-skilled	Low-skilled
2017/18	3184	306	7537	2388	11,9%	16,7%	34,1%	49,2%
								T.1.2.4

TABLE 5: SOCIO ECONOMIC STATUS SOURCE: MERO 2017

ENVIRONMENT, TOURISM AND LOCAL ECONOMIC DEVELOPMENT

The climate in Kannaland is known for its hot and dry summers and cold winters. The average annual rainfall is approximately 270 mm, with rainfall occurring throughout the year. The average midday temperatures range from 16.6°C in July to 38°C in January and the mercury drops to 3.2°C during winter nights.

The municipal area is very popular for its rural rustic Karoo scenery amongst domestic and foreign tourists. Our unique offerings in the heart of the Klein Karoo, the local top class brandy,

port and wines, hot springs and top class cheese industries, provide attractions for tourists with distinctive tastes who enjoy trying new delicacies.

An important role and function of the Municipality is to balance the need for development with the need to reserve the fauna and flora which are an important leverage within the agriculture and tourism industry. In this regard the Municipality cooperates with the relevant sector departments, National Parks and the private sector for the best opportunities with the least damage to nature. The area is very popular amongst artists, cyclists and off-road enthusiasts who come here for untouched natural beauty.

The Municipality has a difficult task to balance the interest in the natural environment with the need to promote development which will address the socio-economic under-development, infrastructure backlogs and the need to promote investment inflows to the area. The Spatial Development Framework (which is reflected in the IDP) will be one of the key strategic tools with which the Municipality will balance these competing interests.

The table below reflects the natural resources within the municipal area:

Natural Resources	
Major Natural Resource	Relevance to Community
Water	Basic need to all residence
Electricity	Basic need to all residence
	T 1.2.7

TABLE 6: NATURAL RESOURCES

1.3. SERVICE DELIVERY OVERVIEW

Government policy places specific emphasis on the provision of basic services, which entail the provision of electricity, water, sanitation and waste collection. Chapter 3 provides more detailed information on basic service delivery as well as all other functions rendered by the Municipality during 2017/18.

BASIC SERVICE DELIVERY HIGHLIGHTS FOR 2017/18

During the 2017/2018 financial year, the municipality made the following contributions to satisfy basic requirements:

SERVICE	HIGHLIGHT DESCRIPTION
WATER SECURITY AND PROVISION	Implementation of the water replacement programme by replacing 720 faulty water meters.
	Providing water for tanks to schools and some farm areas in dry summer months in Zoar and Calitzdorp.
	Installing water pipelines in informal areas in Ladismith
	Monthly laboratory results of water samples that comply with SANS 241 wrt the quality of water
	Supply emergency water to hospitals and schools

SERVICE	HIGHLIGHT DESCRIPTION
	Refurbishment of the pipeline system at the borehole plant in Ladismith
	Refurbishment of boreholes as well a new borehole pump at the Swartberg River in Ladismith
	Construction of a new 1MI reservoir and related works in Zoar
ELECTRICITY	Upgrade of the main electricity substation including installation of new 20 MVA transformer in Ladismith (R8m VAT included) (3 year project commenced in 2016/17). Phase 2 completed in 2017/18. Project to be completed in 2018/19.
	Electrification of informal areas in Ladismith
	Electrification of farm houses in the municipal area (project)
	Appointment of a qualified Electrical/Mechanical Manager
	Better internal controls within the department
	Network and transformer audit was conducted to determine the number of assets to be refurbished or replaced.
	Daily electrical work are being successfully completed within 24 hours from callout
	Staff morale has been improved which resulted in increased productivity
	Bulk, conventional and prepaid electrical meter audit was conducted.
	Faulty meters were identified to be replaced and the system will be upgraded in the next 2 financial years to ensure the data is clean and reliable
	A cost analysis was done of the demand to be saved in terms of Eskom penalties
ROADS	Upgrade of roads in Zoar with MIG funding
	Daily maintenance routine work on cleansing of storm water pipes and pothole repair in all 4 towns
PMU	The roads identified in IDP public participation process were improved and the challenges with the storm water drainage systems were addressed
	Contract workers became permanent i t o the EPWP programme
	95% MIG projects were completed. However a roll over application was submitted to DLG on the completion of the Calitzdorp sports field
	Best achiever award for the EPWP results
GOOD GOVERNANCE	Establishment of Ward committees
	Launching of the Thusong Centre in Ladismith
	Engagement with stakeholders internal and external on municipal affairs
	Good progress have been made in the turn-around of the Municipality although much effort is still required.
	Political interference has been limited and can be managed. The level of intimidation at council meetings has slightly decreased.
	There is momentum regarding governance structures and a commitment to function. The intervention actions rendered progress and the final hurdles need to be tackled now. The Disciplinary Board has been functioning since November 2018 and all irregular, unauthorized, fruitless and wasteful expenditure from as far as the 2015/16 financial year have been referred to the Disciplinary Board.
	Establishment of Audit and Performance Audit Committee: re-established in November 2018 with commitment to function

SERVICE	HIGHLIGHT DESCRIPTION
	Establishment of MPAC: re-established in November 2018 with commitment
	Establishment of a functional Local Labor Forum
	Appointment of a Municipal Manager
FINANCIAL VIABILITY	ESKOM account was paid in full
	The payment rate of the Municipality has been increased to an average of 89.51%.
HUMAN SETTLEMENT	Repair of storm-damaged houses in Zoar
DISASTER MANAGEMENT	Disaster Management Committee has been established
	Starter packs were given to storm damage households in Kannaland

TABLE 7: HIGHLIGHTS DURING THE 2017/2018 FINANCIAL YEAR

During the 2017/2018 financial year, the municipality faced the following challenges:

Service Area	Challenge	Interventions to address
Infrastructure: Water, roads, sanitation, electrical	Inadequate funding (grant and own funding)	Infrastructure maintenance and upgrades are the most crucial issues in the Municipality. Additional funding is required to address infrastructure maintenance and upgrades.
	Large number of faulty water meters. Users only pay for basic services until meters are replaced- financial loss	Funding and manpower required to repair/replace faulty water meters
	Roads - Grant funding not adequate to maintain upgraded roads.	Ongoing application for external funding from various sources.
	Electricity - maintaining and managing electricity losses due to aging networks	Ongoing application for external funding from various sources.
	Water - availability of water, especially in the hot and dry summer months	Fasttracking of the ACIP & RBIG funding requests for WWTW's & Ladismith Swart Berg Dam raised at the Back to Basics, Water and Sanitation forums and as well IDP forums
	Non-compliance regarding the operation of refuse sites are serious. No funding is available to comply with the requirements.	The Municipality is in a mediation process with the Department of Environmental Affairs and Public Prosecution.
Law enforcement	Illegal connections and tampering with meters. Law enforcement is not functional yet	An audit of all meters are being conducted to detect offenders. Attention is given by-laws and establishment of a law enforcement unit.

Service Area	Challenge	Interventions to address
Fleet Management	Limited fleet available in all service delivery departments	This was raised and addressed with DLG and funding applications were submitted for fleet required.
Human Settlements	Challenges exist with regard to the capacity of bulk infrastructure services resulting in significant increases in housing waiting lists	Funding required to increase the capacity of bulk infrastructure to allow for new housing developments
	Incorrect title deeds	Appoint a surveyor to alleviate the risk of incorrect title deeds
	Huge demand for low cost and GAP housing	Ongoing liaison with the Department of Human Settlements to fund the implementation of the human settlement pipeline
Workforce	Lack of senior management capacity and managers must perform work of senior manager positions (vacant) as well as their operational duties	Organizational structure is being reviewed
	HR processes not adhered too	Organizational structure currently being reviewed
	OHS and wellness programmes not fully operational	Will be incorporated in the 18/19 financial year

TABLE 8: CHALLENGES DURING THE 2017/2018 FINANCIAL YEAR

PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES

Proportion of Households to basic services as per municipal statistics		
	2016/2017	2017/2018
Electricity service connections	2243	3789
Water - available within 200 m from dwelling	4702	4889
Sanitation - Households with at least VIP service	4266	4434
Waste collection - kerbside collection once a week	4631	4778

TABLE 9: PROPORTION OF HOUSEHOLDS TO BASIC SERVICES AS PER MUNICIPAL STATISTICS (SOURCE: SAMRAS)

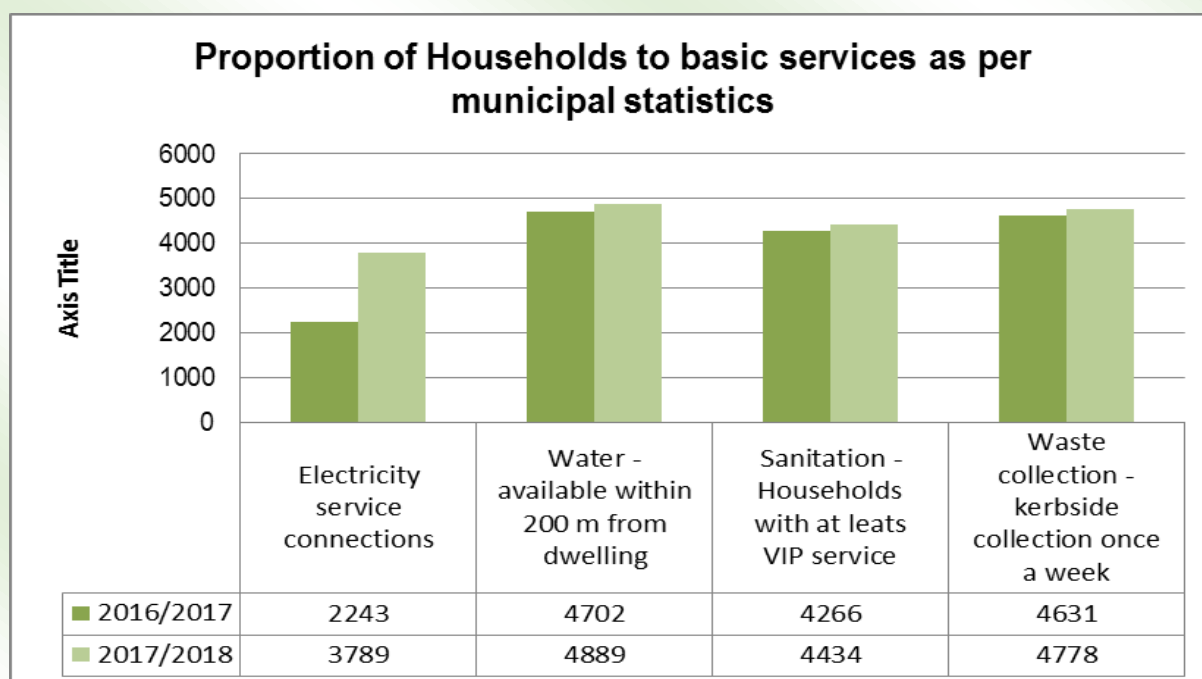


FIGURE 2: PROPORTION OF HOUSEHOLDS TO BASIC SERVICES AS PER MUNICIPAL STATISTICS (SOURCE: SAMRAS)

The variances in numbers for basic service can be attributed to the fact that not all households have access to the same level of service (e.g. in informal areas households have access to communal taps) and in certain areas Eskom is the distributor of electricity. A large part of Calitzdorp is not connected to the sewage system but septic tanks are emptied when full.

In Zoar 10 households still have to make use of the bucket system which must still be eradicated. Due to the fact that the area is situated in a rocky area, the cost of installing sewage will be high and therefore the bucket system has not been eradicated there. Pit latrines are still used in the Calitzdorp (15) and in Vanwyksdorp (30). In Vanwyksdorp 100 septic tanks are being serviced by the Municipality.

PROVISION OF FREE BASIC SERVICES PER MONTH PER HOUSEHOLD:

ELECTRICITY								
Indigent Households			Non-indigent Households			Households in Eskom Areas		
Nr of households	Units per household (kwh)	Value R'000	Nr of households	Units per household (kwh)	Value R'000	Nr of households	Units per household (kwh)	Value R'000
2388	50	65.70	2501	0	0	559	50	0

TABLE 10: PROVISION OF FREE BASIC SERVICES PER MONTH PER HOUSEHOLD - ESKOM

WATER

Indigent Households			Non-indigent Households		
Nr of house-holds	Units per house- hold per month	Value R'000	Nr of house-holds	Units per house- hold per month	Value R'000
2388	6	107.34	2501	0	0

TABLE 11: PROVISION OF FREE BASIC SERVICES PER MONTH PER HOUSEHOLD – WATER

SANITATION

Indigent Households			Non-indigent Households		
Nr of house-holds	Units per house- hold per month	Value R'000	Nr of house-holds	Units per house- hold per month	Value R'000
2388	1	173.09	2046	0	0

TABLE 12: PROVISION OF FREE BASIC SERVICES PER HOUSEHOLD - SANITATION

REFUSE REMOVAL

Indigent Households			Non-indigent Households		
Nr of house-holds	Units per house- hold per month	Value R'000	Nr of house-holds	Units per house- hold per month	Value R'000
2388	1	179.92	2390	0	0

TABLE 13: PROVISION OF FREE BASIC SERVICES PER MONTH PER HOUSEHOLD - REFUSE REMOVAL

1.4. FINANCIAL OVERVIEW

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This is done by annually checking all government spending. In turn, this can be described as an audit.

AUDIT READINESS

A programme was implemented to ensure effective audit readiness and the process plan has been compiled to improve communication within the municipality as well as between the municipality and the Auditor-General staff.

All activities in the process and documents required have been linked to dates and specific persons to prevent negative impact in unwanted audit findings, should the documents not be available when requested. The process is being managed proactively and more effectively to

have all documents available. The program under the guidance of the Municipal Manager is on track.

RELIANCE ON CONSULTANTS

It is unavoidable for a low-capacity authority like Kannaland Municipality to make use of consultants. In future, appointments will have to be made carefully to ensure that skills required to perform some of the components internally, are available. Consultants are lately being held more accountable to transfer skills.

ENTERPRISE RISK MANAGEMENT AND INTERNAL AUDIT

Enterprise Risk Management (ERM) is an essential function that must be performed by the Municipality in terms of the applicable local government legislation. Auditor-General reports in recent years have highlighted the risks for the Municipality and findings have indicated that ERM must be prioritized as this function has been neglected for years.

The ERM audit for the 2017/18 financial year will still be problematic but the Municipality will be compliant in the 2018/19 financial year.

The expertise of neighbouring municipalities and shared services from the Eden District Municipality and Oudtshoorn Municipality are being utilized to establish and improve the ERM function in Kannaland Municipality.

The compilation of a risk register and actions plans in terms of the Financial Recovery Plan commenced and regular progress reports will be submitted to the Audit and Performance Audit Committee.

The Manager: FRP, will assist and guide the Municipality to establish and advance the internal audit function. The first internal audit in terms of the internal audit plan will be conducted early in 2019. An official of the finance department was sent to Cape Agulhas Municipality for guidance and informal training on internal audit matters.

It is important that internal audit and enterprise risk management operate separately as the one must assess the other. Sufficient financial provision for these compulsory functions need to be provided for on the budget to ensure compliance in this regard.

HIGHLIGHTS REGARDING FINANCIAL MANAGEMENT FOR 2017/18

SERVICE	HIGHLIGHT DESCRIPTION
Financial Recovery Plan	<p>Provincial Treasury is satisfied with the progress in terms of the Financial Recovery Plan</p> <p>Department of Local Government has acknowledged the good progress made in the turn-around of Kannaland Municipality.</p> <p>Although late, the Municipality will be compliant as far as the submission of Annual Financial Statements is concerned.</p>
FINANCIAL VIABILITY	<p>ESKOM account was paid in full the 2017/18 financial year.</p> <p>The payment rate of the Municipality has been increased from 62% in 2016 to 89.51% in 2018 improving the cash flow situation</p>
FINANCIAL MISCONDUCT	<p>MPAC and the Disciplinary Board are functional with effect from November 2018 and financial misconduct from as far back as the 2015/16 financial year are receiving attention. An investigator has been appointed.</p>

TABLE 14: HIGHLIGHTS REGARDING FINANCIAL MANAGEMENT FOR 2017/18

CHALLENGES REGARDING FINANCIAL MANAGEMENT FOR 2017/18

Service Area	Challenge	Interventions to address
<p>Late submission of Annual Financial Statements</p> <p>Skills and capacity re Municipal Mini-mum Competency</p>	<p>Significant governance challenges with ongoing leadership instability (politically and in the cancellation by the MEC in March 2017 of the appointment contracts of the Municipal Manager and the Chief Financial Officer), including long-standing key vacancies in the finance department affecting effective monitoring and oversight of actions to enable the timely preparation of the financial statements;</p>	<p>Provincial Treasury assisted with Financial Recovery Plan</p> <p>Vacancy for CFO advertised, interviews were held in November 2018 and recommendations submitted for appointment of CFO.</p> <p>Care must be taken with appointment new officials that they have the required skills and experience to reduce the reliance on consultants</p>

Service Area	Challenge	Interventions to address
Instability in CFO position/ unstable financial system		Consultants must be monitored to ensure skills transfer.
	Skills and capacity challenges regarding Municipal Minimum Competencies (MMC) and standards of GRAP rendering the financial department a major risk;	Provincial Treasury provided assistance in roll out of Financial Recovery plan
	The MMC service providers are currently being investigated by the Hawks.	Mubesco appointed to assist with the compilation of the AFS 2017/18 LGSETA to assist regarding training requirements The National Treasury training programme for interns will be used to capacitate finance department officials
	Instability in the chief financial officer position, coupled with an unstable financial accounting system and ineffective human resource management practices, have contributed to the poor implementation of internal controls over accurate and complete financial information and record keeping, accurate and complete processing of transactions, reconciliation of transactions and regular monitoring of compliance with relevant legislation;	Filling of vacancy for CFO in January 2019 Financial Recovery Plan and capacity from Provincial Treasury to support Kannaland Municipality Mubesco to recover transactions for updating accounting system Financial system service provider to assist with updating of system to become Mscoa compliant and to reflect credible figures.
System challenges hampering the implementation of mSCOA and achieving all the milestones	Kannaland Municipality had to fund the salaries of the assistance from Province (reason for falling behind with ESCOM account)	Agreements have been signed to recover the money paid from Province

Service Area	Challenge	Interventions to address
	It is perceived that the 2017/18 audit will still be an enormous challenge due to the matters reported.	With all the corrective measures and internal controls being put in place, together with in-service training being afforded, the Municipality will be compliant for the 2018/19 financial year
	1. Capacity and skills challenges, including severe funding constraints to manage the mSCOA implementation process;	Assistance from Provincial Treasury and National treasury.
	2. The inability of existing accounting and information systems to accommodate the technical specifications set in the mSCOA, negatively affected the finalisation of data migration and mapping processes;	Mubesco appointed to recover lost information, rebuild mSCOA data-base and general ledger, oversee data migration and mapping processes
	3. Loss through theft of stand-alone laptop containing mSCOA data-base and general ledger that required the rebuild of the database;	Buytes to cooperate in rectifying segmentation errors and system set-up issues
	4. Ongoing segmentation errors and system set-up issues, which affect the recording of and reporting on transactions, including the loading and management of the annual and adjustment budgets	Buytes to load budget and adjust-ment budget processes
	5. Inaccurate recording of transactions on the accounting system;	Mubesco to trace transactions and record information correctly onto financial system
	6. Unreliable budget reports;	Mubesco to assist with reconciliations after correct recording of transactions
	7. Inability to perform reconciliations of various accounts because of data errors;	Internal controls tightened on oversight and monitoring of reconciliations in future Providing leadership and in-service training to ensure that in-year

Service Area	Challenge	Interventions to address
	<p>8. Inability to manage accounts and in-year reporting due to data errors; and</p> <p>9. The Municipality's inability to pay the outstanding account of financial system service provider and for current services owing to severe cash flow constraints affecting the implementation of mSCOA</p>	<p>reporting are correct and on time as per statutory timeframes.</p>
	<p>The Municipality is largely dysfunctional and was therefore put under administration at the end of 2016 financial year with outstanding creditors amounting to R89 million (ESKOM R26 million) which was repaid and currently only one month is in arrears);</p>	<p>Financial Recovery Plan implemented</p> <p>Financial discipline and legal compliance with MFMA and Regulations</p>
Internal Audit and Risk Management	<p>No internal audit function</p> <p>Internal audit and risk management are not functioning separately</p>	<p>Internal audit function to be established – first internal audit will be conducted early in 2019</p> <p>Risk management officer and internal auditor must check each other</p> <p>Sufficient funding must be budgeted for the functions of internal audit and risk management</p>
Asset management	<p>Poorly maintained assets (vehicles, roads and other infrastructure etc) are major risk</p>	<p>Asset management is being addressed</p>
Limited revenue re-sources	<p>Personnel account unaffordable</p>	<p>R6m needs to be cut from the salary budget an appropriated to service delivery in 2019</p>

Service Area	Challenge	Interventions to address
	Since 2016 approximately 80 employment contracts have been cancelled.	Productivity SA will assist in 2019 with a scientific evaluation of productivity and the positions on the organogram to be able to have scientific evidence for the reduction of the staff contingent.
	Expenditure and expenditure patterns are a matter of concern	Expenditure and expenditure patterns must be adapted and phased-in in accordance with National Treasury norms

TABLE 15: CHALLENGES REGARDING FINANCIAL MANAGEMENT

The tables below indicates the financial overview, operating ratios as well capital expenditure for the 2017/18 financial year

Financial Overview: Year 2017-2018				R' 000
Details	Original budget	Adjustment Budget	Actual	
Income:				
Grants	110	63	719	58
Taxes, Levies and tariffs	214	85	393	85
Other	813	12	304	13
Sub Total	137	161	416	158
Less: Expenditure	312	126	478	154
Net Total*	825	34	938	19
				3

TABLE 16: FINANCIAL OVERVIEW – SOURCE: AFS VS MUNICIPAL BUDGET

Operating Ratios	
Detail	%
Employee Cost	

Repairs & Maintenance	
Finance Charges & Impairment	
	T 1.4.3

TABLE 17: OPERATING RATIOS - SOURCE: AFS VS MUNICIPAL BUDGET

Total Capital Expenditure: 2016 to 2018				R'000
Detail		2016-2017	2017-2018	
Original Budget		54 480	30 801	
Adjustment Budget		26 231	21 652	
Actual		24 805	20479	

TABLE 18: CAPITAL EXPENDITURE - SOURCE: AFS VS MUNICIPAL BUDGET

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

As at 30 June 2018 118 permanent employees (in comparison to the 243 employees at 30 June 2017) of which (2 are Section 57 employees, 72 permanent, 53 contract employees and 1 intern) were employed. Kannaland Municipality is a rural Municipality and has a diverse staff complement, which poses challenges for effective transformation of its equity profile across all skills and managerial levels. Priority is given to existing staff to accelerate transformation of Kannaland Municipality's racial profile especially at senior level.

The Municipality embarked on a process to revise the unaffordable organizational structure which was approved in July 2017. In terms of the new organogram the number of vacancies were reduced to 46. Contracts of temporary employees were not renewed which effected savings in the amount of R2 007 661, 51. The turn-over rate for 2016/17 was 11% and in 2017/18 amounted to 18%.

It is the Municipality's aim to 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.

MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT HIGHLIGHTS

CHALLENGES

ACTIONS TO ADDRESS

Implementation of the organizational structure	This process will ensure that a new structure be introduced to ensure effective, efficient, economic, quality and timeous service delivery and to ensure that employees are capacitated to perform according to expectations. Job descriptions to accompany the organizational structure are now being compiled. Productivity SA will assist the Municipality early in 2019 with an exercise regarding capacity.
Skills Development	<p>The Municipality is in process to equip employees with training through the LGSETA programme.</p> <p>Municipal Minimum Competency training suffered a serious of setbacks. The required training will commence as soon as a competent service provider has been appointed and after approval of the new organizational structure.</p>

TABLE 19: 1.5.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT HIGHLIGHTS

1.6. Auditor General Report (Annexure: Original Document)

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL OF KANNALAND MUNICIPALITY

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This is done by annually checking all government spending. In turn, this can be described as an audit.

The Auditor-General's annual audit examines 3 areas:

- Fair presentation and absence of significant misstatements in financial statements
- Reliable and credible performance information for predetermined objectives
- Compliance with all laws and regulations governing financial matters.

There can be 5 different outcomes to an audit, once the municipality has submitted their financial statements to the Auditor-General, which can be simply defined as follow:

A clean audit:

- The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.

Unqualified audit with findings:

- The financial statements contain material misstatements. Unless they express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.

Qualified audit opinion:

- The financial statements contain material misstatements in specific amounts, or insufficient evidences for them to conclude that specific amounts included in the financial statements are not materially misstated.

Adverse Audit Opinion:

- The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.

Disclaimer of Audit opinion:

- The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The table below indicates the audit opinion received for the past four financial years:

Financial year	Audit outcome
2017/18	Unqualified Audit Opinion

STATUTORY ANNUAL REPORT PROCESS

The Municipal Finance Management Act (MFMA) requires that a Municipality prepared an Annual Report for each financial year. The Annual Report is a measure of ensuring that there is regular, impartial feedback to stakeholders and that accountability and thereby transparency is strengthened. Section 46(1) of the Municipal Systems Act (MSA) requires municipalities to prepare a performance report for each financial year, setting out the performance of the Municipality and its external service providers, providing a comparison between targets and performance in the previous financial year and improved measures taken. The annual performance report must form part of the annual report.

The revised timeframe for the statutory annual report process received from National Treasury (Circular 63/2012) consists of the following and will be followed for the 2018/19 annual report process:

Activity	Legislation and Guidance	Process Owner	Timeframes
Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	MSA S41 (1)(e)	Municipal Manager (Assisted by other s56 managers and CFO)	July
Implementation and monitoring of approved Budget and IDP through the approved SDBIP commences (In-year financial reporting and quarterly performance reports)	MSA S41 (1)(e)	Municipal Manager (Assisted by other s56 managers and CFO)	July
Finalise 4th quarter Performance Report for previous financial year	MFMA S52(d)	Municipal Manager (Assisted by other s56 managers and CFO)	July
Submit draft previous financial year Annual Report and evidence to internal and the Auditor General including annual financial statements and financial and non-financial information	Submission of AFS as per section 126 (1) of the MFMA. Additional step, a draft annual report is prepared. Annual performance report needs to be included as per section of the MSA	Municipal Manager and CFO	July
Submit Annual Report including annual financial statements and Annual performance Report to the combined audit/performance committee	Joint committee assessing both financial and non-financial performance advances accountability and expedites corrective measures	Municipal Manager and CFO	July / August
Combined Audit/performance committee considers unaudited Annual report of Municipality		Audit and Performance Audit Committee	August
Mayor tables the unaudited Annual report in Council		Mayor	
Municipality submits draft Annual Report including annual financial statements and performance report to Auditor General for auditing purposes – due 31 August. Council submit unaudited tabled annual report to MPAC for vetting and verification of council's directive on service delivery and the committee to evaluate senior managers' performance against agreement entered into.		CFO	
Commencement of IDP analysis of institutional, services and infrastructure provision, backlogs and priorities.	If the above process is followed, the unaudited Annual report can add	Council	August

Activity	Legislation and Guidance	Process Owner	Timeframes
Unaudited annual report as submitted to AG to be used as input into the IDP strategic phase process and community verification and input by MPAC on reported performance. Such information includes that of various entities incorporated into information of the parent.	value to the IDP/Budget planning process for the next year as well as oversight by MPAC on the reported deliverables by communities and achievements targets reached.		
Auditor-General audits the unaudited Annual Report and submit an audit report to the accounting officer for the Municipality	Section 126 (3) (b) require the Auditor-General to submit an audit report within three months after receipt of statements from the Municipality	Auditor-General	November
Annual Report and oversight report processes for adoption to be used as input into public participating meetings for the IDP review process	Section 127, 128, 129 and 130	Council	September - November
The Auditor-General's reports are issued during the period of Oct/Nov. Once the AG audit reports have been issued no further changes are allowed as the audit process is completed	Section 129, 130 and 131. Tabling the audited Annual Report within 5 or 6 months after the end of the financial year. Section 75 for publication on website	Municipal Manager	November /December
Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report		Mayor	
Audited Annual Report is made public and representation is invited		ICT / CFO	
Oversight committee finalises assessment on Annual Report. This must be concluded within 7 days of receipt of AG's report. Council is expected to conclude on this matter before going on recess I n December		MPAC	
Council adopts Oversight Report	The entire process, including oversight reporting and submission to provincial legislators are completed in December and not in March the following year	Council	December
Oversight Report is made public		Municipal Manager	
Oversight report is submitted to legislators, Treasurers and COGTA		Mayor	

TABLE 20: STATUTORY REPORTING TIMEFRAMES – CIRCULAR 63 (SEPTEMBER 2012)

The Annual Report must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP), and in year reports. The contents will assist with the annual audits and as a management tool for the budget process and as an accountability instrument for feedback to the public. MFMA reforms include ensuring transparency and accountability for the fiscal and financial affairs of municipalities through in-year and Annual Reporting. Real transparency and accountability can only be achieved where

there is a clear link between the strategic objectives agreed with the community, the IDP, the Budget, SDBIP, service delivery agreements, performance agreements of senior management and officials, in-year reports covering financial and non-financial information, (such as MFMA Sections 71, 72 & 74 and MSA Section 41 among others), Annual Financial Statements, Annual Performance Report and the Annual Report.

The IDP, Budget, SDBIP, in-year reports, annual performance report and Annual Report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

CHAPTER 3 – BASIC SERVICE DELIVERY PERFORMANCE INFORMATION

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.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to inform 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 service providers and the Municipal Entities. This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

LEGISLATIVE CONTEXT

In terms of section 46(1) (a) 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 performance in 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.

ORGANISATIONAL PERFORMANCE

Strategic performance indicates how well the Municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation.

The implementation 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 highlight the strategic performance in terms of the Municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the National Key Performance Areas, performance on the National Key Performance Indicators prescribed in terms of section 46 of the Municipal Systems Act, 2000 and an overall summary of performance on a functional level and municipal services.

INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2017/2018

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section should provide an overview on the strategic achievement of a Municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer (strategic) SDBIP is the Municipality's strategic plan and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements).

In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the Strategic Objectives linked to the Municipal KPA's. The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (kpi's) of the SDBIP is measured:

PDO 1: To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens

IDP reference	KPA	Department	Indicator	Indicator definition	Type	Baseline	Performance comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall performance for Jul 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 1c	KPA1: Reliable infrastructure	Financial Services	The percentage of the municipal capital budget actually spent on capital infrastructural projects as per the IDP by 30 June 2018	% of capital budget spent on capital projects by 30 June 2018. (Amount actually spent on capital infrastructural projects/ amount budgeted for capital projects) x100]	Input	87.36%	90%	87.63%	100%	94.58%		Drought funds were received late into the period under view hence the municipality applied for rollover of funds. The balance of the amount must be spent before end of June 2019.	The municipality will improve its project management capacity and enhance the oversight and monitoring over the implementation of infrastructure to ensure that the indicator is achieved.	AFS Annexure D, PPE Note & B Schedule as at 30 June 2018

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IDP reference	KPA	Department	Indicator	Indicator definition	Type	Baseline	Performance comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall performance for Jul 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI.4	KPA1: Reliable Infra-structure	Technical Services	Total km's of identified gravel roads converted to paved roads	The km's of gravel roads paved as per the MIG project in Zoar.	Output	1,295 km	1,295 km	1,295 km	1,567 km	1,567 km		Target achieved.	None	Completion Certificate
KPI 16	KPA1: Reliable Infra-structure	Corporate Services	Number of storm damaged houses repaired	Number of storm damaged houses repaired	Output	New KPI	-	-	32	38		Target exceeded. Contractor repaired 6 additional houses as part of his social contribution.	None	Completion Certificate

IDP reference	KPA	Department	Indicator	Indicator definition	Type	Baseline	Performance comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall performance for Jul 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI 40	KPA1: Reliable Infrastructure	Technical Services	Upgrade of the existing ground-water supply scheme in Ladismith	Increase water storage and supply through the new constructed pipeline across the Swartberg River	Output	New KPI	-	-	1	0		A groundwater monitoring programme by Dr Roger Parsons is in process and must be spent by 30 June 2019.	The municipality will improve its project management capacity and enhance the oversight and monitoring over the implementation of infrastructure to ensure that the indicator is achieved.	Payment certificates
KPI 41	KPA1: Reliable Infrastructure	Technical Services	Upgrading current sport field in Bergsig, Calitzdorp	The number of facilities that will address the recreational and other social needs of the community.	Output	New KPI	-	-	1	1		Target achieved	None	Completion Certificate

TABLE 21: PDO 1: TO PROVIDE ACCESS TO RELIABLE INFRASTRUCTURE THAT WILL CONTRIBUTE TO A HIGHER QUALITY OF LIFE FOR KANNALAND CITIZENS

PDO 2: To provide adequate Services and improve our Public relations

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI 2	KPA2: Service Delivery	Technical Services	Submit the number of water samples that comply with SANS 241 Excellent water quality measured by the quality of water as per SANS 241 criteria	Submit monthly reports to DWS in addition to the compliance with the water quality standards Percentage (%) water samples taken of which the quality conforms to SANS 241. If 100 samples taken and 85 complies, then 85/100 = 85% compliance, which are the targets set.	Output	New KPI	-	-	12 reports 85%	0 reports		Target not achieved owing to ineffective monitoring, as a result of vacancies.	Management will implement appropriate measures to ensure that monitoring of targets is better managed and verified.	Monthly Samples Reports
KPI 3	KPA2: Service Delivery	Technical Services	Spend 10% of the approved maintenance budget for roads and storm water by 30 June 2018	Total expenditure on maintenance/ Approved budget for maintenance) x100	Input	New KPI	-	-	10%	15%		Continuous improvement on performance	None	SAMRAS Expense Report

TABLE 22: PDO 2: TO PROVIDE ADEQUATE SERVICES AND IMPROVE OUR PUBLIC RELATIONS

PDO 5: To Facilitate Economic Growth and Social and Community development

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior Year's Performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Target	R	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 7d	KP4: Local Economic Development	Technical Services	Create job opportunities through the Expanded Public Works Programme (EPWP)	Number of Job opportunities created through the Expanded Public Works Programme (EPWP)	Output	74	70	74	70	84		The Expanded Public Works Programme (EPWP) focuses on skills development. It is one of the important ways the Western Cape Government is working to reduce the levels of poverty and unemployment in the province. It does this through: Giving unemployed people access to temporary work	None	Progress report

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior Year's Performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Target	R	Performance Comment	Corrective Measures	Proof of Evidence
KPI.11	KP4: Local Economic Development	Strategic Services	Updating and review the current LED Strategy by the end of June 2018	Table the revised LED strategy to the Mayor	Output	New KPI	0	0	1	0		This indicator should be removed. It does not adhere to the smart principle	The Led strategy should be discussed which changes to be amended as well with real time data to be presented. This indicator will surface in the 18/19 financial year where a whole new process will start to develop a new strategy as the lifespan of the current one is over.	POE not provided

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior Year's Performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Target	R	Performance Comment	Corrective Measures	Proof of Evidence
KPI.12	KP4: Local Economic Development	Strategic Services	Quarterly Development and Distribution of newsletters	Newsletters contain municipal information wrt service delivery and will be measured on a quarterly basis	Output	New KPI	0	0	2	3		The newsletter is to update the community of current and future activities done by the municipality	None	Newsletters and distribution list

TABLE 23: PDO 5: To FACILITATE ECONOMIC GROWTH AND SOCIAL AND COMMUNITY DEVELOPMENT

PDO 6: To promote efficient and effective Governance with high levels of stakeholder participation

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI.5	KPA5: Effective and efficient governance	Corporate Services	The number of Council meetings held (open to the public)	The number of council meetings held for the financial year	Activity	19	4	19	4	17		Target achieved	None	Minutes and attendance registers
KPI.7	KPA5: Effective and efficient governance	Office of the Municipal Manager	Review and submit the final IDP to Council by 31 May	Review and submit the final IDP to Council by 31 May	Output	1	1	1	1	1		Target achieved	None	Final IDP and resolution on 28 May 2018
KPI.8	KPA5: Effective and efficient governance	Strategic Services	Compile the Top Layer SDBIP and submit to the Executive Mayor for approval within 28 days after the approval of the budget (for the 2018/19 financial year)	Compile the Top Layer SDBIP and submit to the Executive Mayor for approval within 28 days after the approval of the budget	Output	1	1	1	1	1		Target achieved	None	Top Layer SDBIP and approval by Executive Mayor and Council.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI.9	KPA5: Effective and efficient governance	Strategic Services	Compile and submit the Draft Annual Report to Council by January	Compile and submit the Draft Annual Report to Council by end January	Output	1	1	1	1	1		Target achieved	None	Draft Annual report and resolution
KPI. 10	KPA5: Effective and efficient governance	Strategic Services	Compile the mid-year S72 report and submit to the Mayor by 25 January	Compile the Mid-year S72 Report and submit to the Mayor	Output	1	1	1	1	1		Target achieved	None	Section 72 report and resolution
KPI. 13	KPA5: Effective and efficient governance	Office of the Municipal Manager	Complete the annual Risk Assessment and submit the strategic and operational risk register to the Risk Committee	Strategic and operational risk register submitted to the Risk Committee		1	1	1	1	0		Although the risk register has been compiled, no functional risk committee existed to submit the register to.	Workshops will be arranged with the district to support the municipality with risk management aspects in order to enhance skills transfer to internal staff.	Target not achieved.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 14	KPA5: Effective and efficient governance	Strategic Services	Ward committee meetings held per quarter	Ensure effective community liaison work	Activity	New KPI	-	-	4	14		Target exceeded. Monthly meetings were held instead of quarterly meetings.	None	Minutes
KPI. 15	KPA5: Effective and efficient governance	Office of the Municipal Manager	Liaison with departments on a monthly basis	Management Meetings held with departments	Activity	New KPI	-	-	6	15		Target achieved.	None	Minutes of meetings and attendance registers
KPI. 33	KPA5: Effective and efficient governance	Office of the Municipal Manager	Formulate and implement an internal and external communication strategy	Formulate and implement an internal and external communication strategy	Activity	New KPI	-	-	1	1		Target achieved.	None	Strategy and resolution Newsletters
KPI. 34	KPA5: Effective and efficient governance	Strategic Services	Facilitate public participation events for the draft and final IDP and	Ensure effective com-munity liaison	Activity	New KPI	-	-	5	5		Target achieved.	None	Priority listing and attendance registers

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
			Budget process											
KPI. 35	KPA5: Effective and efficient governance	Office of the Municipal Manager	Submit quarterly SDBIP reports to the Mayor	Ensure all SDBIP information to be re-reported on are complete, accurate and verifiable	Activity	1	4	1	2	2		Target achieved.	None	SDBIP reports submitted to the Mayor
KPI. 36	KPA5: Effective and efficient governance	Office of the Municipal Manager	Compile and submit the organizational performance management policy to the Mayor for approval	To ensure performance reporting to be compliant and relate to service delivery	Activity	New KPI	-	-	1	0		Target not achieved due capacity issues and vacancy of the Manager: HR	None	
KPI. 37	KPA5: Effective and efficient governance	Strategic Services	Develop and sign agreements of the s57 managers by 31 July (for the	Develop and sign agreements of s57 managers by 31 July	Activity	3	3	3	3	3		Target achieved.	None	Signed performance agreements

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
			2018/19 financial year)											
KPI 38	KPA5: Effective and efficient governance	Strategic Services	Publish draft and final IDP within 5 days after approval by Council	To give the public time to comment on the IDP	Activity	New KPI	-	-	2	2		Target achieved.	None	Proof of publication of draft and final IDP
KPI. 39	KPA5: Effective and efficient governance	Office of the Municipal Manager	Oversight of the financial recovery plan: progress report quarterly review	To ensure adherence to the plan targets are set on a quarterly basis	Activity	New KPI	-	-	2	2		Target achieved.	None	Quarterly FRP Reports
KPI. 42	KPA5: Effective and efficient governance	Corporate Services	Ensure partnership agreements are signed with 1 sector department in Kannaland	Ensure partnership agreements are signed with 1 sector department in Kannaland	Activity	New KPI	-	-	1	1		Target achieved.	None	Signed MOA with DSD

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI.43	KPA5: Effective and efficient governance	Corporate Services	Annual review of Disaster Policy	Annual review of Disaster Policy	Activity	New KPI	-	-	1	1		Target achieved.	None	Proof of reviewed Disaster Management Plan/Policy
KPI.44	KPA5: Effective and efficient governance	Corporate Services	Library material losses register maintained	Library material losses register maintained	Activity	New KPI	-	-	2 reports	2 reports		Target achieved.	None	Library material losses register
KPI.45	KPA5: Effective and efficient governance	Corporate Services	Ensure that library exhibitions are held annually	Ensure that library exhibitions are held annually	Activity	New KPI	-	-	1	2		Target exceeded. Two exhibitions were held.	None	Proof of exhibitions held

PDO 7: To provide an efficient workforce by aligning our institutional arrangements to our overall strategy

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 6	KPA 6: Efficient Workforce	Corporate Services	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 by 30 June 2018 (Actual amount spent on training/total personnel budget) x100	Input	86.12 %	95%	86.12 %	10%	0%		R0 spent on WSP training. Insufficient cash reserves for S&T	Effective monitoring towards the spending of training budget will be managed and reported on during the next financial year. Filling of vacant HR Manager post in the unit	Target not achieved Per AFS Note 33 B Schedule 28 Feb 2018

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 8e	KPA 6: Efficient Workforce	Corporate Services	Number of people from employment equity target groups that will be appointed in the three highest levels of management in compliance with the municipality's approved employment equity plan	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the approved employment equity plan: (White/Coloured/African/Disabled)	Input	C = 3 A = 1 W = 1 Dsl = 0	No equity plan or target set	-	C = 2 A = 0 W = 1 Dsl = 1	C = 2 A = 0 W = 1 Dsl = 1		Target achieved.	None	Service Contracts
KPI. 46	KPA 6: Efficient Workforce	Corporate Services	Submission of the Workplace Skills Plan (WSP) by April	Submission of the WSP by April	Activity	New KPI	-	-	1	1		Target achieved.	None	WSP

TABLE 24: PDO 7: TO PROVIDE AN EFFICIENT WORKFORCE BY ALIGNING OUR INSTITUTIONAL ARRANGEMENTS TO OUR OVERALL STRATEGY

PDO 8: To strive towards a financially sustainable municipality

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI.1	KPA7: Financial Viability	Financial Services	Percentage of the municipal operating budget on repairs and maintenance	The OPEX on repairs and maintenance of the municipality spend to date. (Actual amount spent on repairs and maintenance/Total operational budget *100)	Input	126%	60%	98.88%	8%	8%		Target achieved.		Note 11.6 and Statement of Comparison of budget and actual amounts on the Statement of Financial Performance for AFS 2017/18.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI . 2a	KPA7: Financial Viability	Financial Services	Number of formal residential properties that receive piped water 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 meters (debtors listing)	Input	4 702	4 690	4 702	4 480	4 873		Target exceeded. Continued and increased performance.	None	Debtors list

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI . 3a	KPA7: Financial Viability	Financial Services	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excl 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. (Debtors list only where electricity is provided - Ladismith and Calitzdorp)	Input	Prepaid: 2121 Conventional: 2243 Total: 4364	Prepaid: 3850 Conventional: 707 Total: 4557	Incorrect Prepaid: 2121 Conventional: 2243 Total: 4364	Prepaid 2215 Conventional - 450 Total: 3789	Prepaid: 3331 Conventional 458 Total: 3789		Target achieved.	None	Debtors listing

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI . 4a	KPA7: Financial Viability	Financial Services	Number of formal residential properties connected to the municipal waste water sanitation/sewage network billed for the service as at 30 June 2018	Number of residential properties which are billed for sewerage (Debtors listing)	Input	4266	4100	4266	4400	4434		Target achieved.	None	Debtors listing
NKPI . 5a	KPA7: Financial Viability	Financial Services	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2018	Number of residential properties which are billed for refuse removal	Input	4631	4500	4631	4470	4778		Target exceeded.	None	System reports

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 6b	KPA7: Financial Viability	Financial Services	Number of households with access to free basic services (qualifying in terms of the Indigent Policy/ Register)	To ensure that the total number of households qualified as per Indigent Policy receive free basic services (water, electricity, sanitation and refuse removal)	Input	2050	2500	2050	2300	2388		Target exceeded.	None	System reports
KPI. 17	KPA7: Financial Viability	Financial Services	Year to date debtors' payment of 80% achieved by the end of the financial year	To ensure the desired payments are being collected and reported to council through monthly reports Basis of calculation: Payments/ (Levies + Journals)/ 100	Input	AFS	90%	89.11%	80%	126%		Target achieved	None	System reports
NKPI 9g	KPA7: Financial Viability	Financial Services	Financial viability as expressed by ratios: COST COVERAGE	Cost coverage: Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018.	Input	0,03	33.82 %	3%	2.1:1	-0.09:1		Under-achievement is as result of an increase of debtors which contributed	As part of the financial recovery plan, the CFO will establish a committee	Note 19, Note 9, Statement of Financial Position, Statement of Financial

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
				Total cash and investments (short-term), less restricted cash for monthly operating expenditure. Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 (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)								directly to increase of creditors. Indicator and indicator definition have been changed.	to review the working capital management of the municipality to improve its financial viability.	Performance and Note 28 of AFS 2017/18.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 10g	KPA7: Financial Viability	Financial Services	Financial viability as expressed by ratios: Debtors to Annual Income	Total outstanding debtors divided by the total operating revenue. Financial viability measured in terms of the outstanding service debtors as at 30 June (Total outstanding service debtors/ revenue received for services)	Outcome	6.29%	0.405 %	6,29%	25%	57%		System used to collect amounts in arrears – no means to enforce payment in areas where Eskom provides electricity. Inadequate control over excess usage of indigents. Council resolution prohibiting administration to enforce relevant policies.	As part of the financial recovery plan, the CFO will establish a committee to review the working capital management of the municipality, in particular, credit control and debt collection to improve its financial viability.	Note 16 and Note 23 of the AFS 2017/18.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
NKPI 11g	KPA7: Financial Viability	Financial Services	Financial viability as expressed by ratios: Debt coverage by own billed revenue	Ration of debt coverage by own billed revenue. Total own billed revenue divided by the total debt. Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue -Operating Conditional Grant)	Input	87.42%	75%	87.42%	2.5:1	0.02:1		Directly and indirectly related to cash flow constraints as previously mentioned. Indicator and indicator definition have been changed.	As part of the financial recovery plan, the CFO will establish a committee to review the working capital management of the municipality, in particular, credit control and debt collection to improve its financial viability.	Note 2 and 18.2, Statement of Financial Performance , Statement of Financial Position of AFS 2017/18.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 18	KPA7: Financial Viability	Financial Services	Reconciliation of bank account within 30 days after month end	Reconciliation of bank account within 30 days after month end is the norm. This must be achieved 12 times per annum (each month) To be calculated as the number of months per annum that the Municipality has reconciled the bank account within 30 days of month end and submitted to Council.	Input	New KPI	12	12	12	12		Target achieved	None	Reconciliations submitted to Council and Council Resolution Completed hard copies of bank reconciliations
KPI. 19	KPA7: Financial Viability	Financial Services	Annual review of the Tariff Policy and approved by Council by June 2018	Annual review of the Tariff Policy to ensure the implementation of the budget and financial viability.	Activity	New KPI	0	0	1	1		Target achieved.	None	Council resolution for adoption of Tariff Policy

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 20	KPA7: Financial Viability	Financial Services	Quarterly report on progress with implementation of the SCM Policy and actions i.t.o. AG findings with recommendation to the CFO and MM within 10 working days in terms of Regulation 6(3) and Council's SCM Policy.	Quarterly report on progress with the implementation of the SCM policy and actions i.t.o. AG findings and recommendations to the CFO and MM within 10 working days in terms of Regulation 6(3) and Council's SCM Policy.	Activity	New KPI	0	0	2	0		Target not achieved. The policy was not reviewed due to instability in the municipality and vacant posts in the scm unit.	As part of the financial recovery plan, the municipality will implement a process plan to enable the timely completion and submission of the quarterly scm policy with all the relevant legislative components included in the policy.	None
KPI. 21	KPA7: Financial Viability	Financial Services	Monthly reconciliation of assets	Reconciliations of asset purchases, write-offs and disposals need to be	Activity	New KPI	0	0	6 reports	0		Reconciliations could not be done due to the errors on	The municipality will continue to engage	Target not achieved.

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
				reconciled on a monthly basis.								the system during the conversion to mSCOA.	with the accounting system vendor, with the assistance of Provincial Treasury, to find a solution to establish a functional accounting system that will enable monthly reconciliation of assets. This forms an important part of the municipality's financial	

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
													recovery plan.	
KPI. 22	KPA7: Financial Viability	Financial Services	Monthly submission of accurate and complete section 71 reports to the Mayor and Provincial Treasury within 10 working days after each month-end	Monthly submission of accurate and complete section 71 reports to the Mayor and Provincial Treasury within 10 working days after each month-end	Activity	New KPI	0	0	6	6		Target achieved.	None	Section 71 Reports Hard copies available Available on website Emails
KPI. 23	KPA7: Financial Viability	Financial Services	Submit approved financial statements to the Auditor-General by 31 August	Submit approved financial statements to the Auditor-General by 31 August	Activity	New KPI	1	1	1	0		Annual financial statements could not be submitted as required due to problems with financial systems.	As part of the financial recovery plan, the municipality will again implement a process plan to enable the	Final verified AFS submitted to AG and PT

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
													timely completion of the annual financial statements. Key elements of the process plan include the following: <ul style="list-style-type: none"> The timely resolution of mSCOA-related challenges that affect the accounting system 	Hard copies available Available on website

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
													<ul style="list-style-type: none"> The early appointment of a vendor to assist with the compilation of the annual financial statements (AFS) <p>Obtaining adequate external funding to resolve the mSCOA-related challenges and the compilation of the AFS, as the municipality does not have sufficient</p>	

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
													funds of its own	
KPI. 24	KPA7: Financial Viability	Financial Services	Accurate and completed S52 report submitted to Council and PT bi-annually	Accurate and completed Sec 52 report submitted to Council and Provincial Government bi-annually	Activity	New KPI	0	0	2	2		Target achieved	None	Section 52 Reports and emails for submission Hard copies available Website
KPI. 25	KPA7: Financial Viability	Financial Services	Compilation of accurate, sustainable, completed, compliant and consultative draft and final budgets to Council.	Prepare and submit the draft and final budgets to council as follows: (1) 90 days before the start of the financial year (Sec 16 MFMA) (2) 30 days before the start of the financial year (Sec 24 MFMA).	Activity	New KPI	2	2	2	2		Target achieved.	None	Council Resolutions and draft and final Budgets

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 26	KPA7: Financial Viability	Financial Services	Review the accuracy of monthly reconciliations compiled in the Income Office	Review the accuracy of the following monthly reconciliations compiled in the Income Office: Debtors Recon Debtors age analysis vs General Ledger Recon Property Rates Recon	Activity	New KPI	0	0	6	0		No recons were done for the year under review due to mSCOA-related problems.	The municipality will continue to engage with accounting system vendor, with the assistance of Provincial Treasury, to find a solution to establish a functional accounting system that will enable monthly reconciliations in the income office. This forms an important part of the municipality's financial	Target not met in 2017/18. Debtors Recon Debtors Age Analysis vs General Ledger Recon Property Rates Recon

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
													recovery plan.	
KPI. 27	KPA7: Financial Viability	Financial Services	Review the accuracy of monthly reconciliations compiled in the Expenditure Office	Review the accuracy of the following monthly reconciliations compiled in the Expenditure Office: Creditors Recon VAT Recon	Activity	New KPI	0	0	6	0		Recons could not be performed due financial system parameters errors.	The municipality will continue to engage with accounting system vendor, with the assistance of Provincial Treasury, to find a solution to establish a functional	Target not met in 2017/18. Creditors Recon VAT Recon PAYE, UIF, SDL Recon

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
				PAYE, UIF, SDL Recon Creditors Age Analysis vs General Ledger Recon									accounting system that will enable monthly reconciliations in the income office. This forms an important part of the municipality's financial recovery plan.	Creditors Age Analysis vs General Ledger Recon
KPI. 28	KPA7: Financial Viability	Financial Services	Review the accuracy of monthly reconciliations compiled in the Salaries Office	Review the accuracy of the following monthly reconciliations compiled in the Salaries Office: Salary Suspense Vote Reconciliation SAMRAS Payroll vs General Ledger Recon	Activity	New KPI	0	0	6	6		Target achieved.	None	Salary Suspense Vote Reconciliation SAMRAS Payroll vs General Ledger Recon

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IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 29	KPA7: Financial Viability	Financial Services	Timely issuing of IRP5 certificates and recons to SARS and employees (annually)	Timely issuing of IRP5 certificates and recons to SARS and employees (annually)	Activity	New KPI	0	0	1 report	1 report		Target achieved.	None	IRP 5 Reconciliation Report to SARS
KPI. 30	KPA7: Financial Viability	Financial Services	Timely submission of VAT 201 Forms to SARS	Timely submission of VAT 201 Forms to SARS	Activity	New KPI	0	0	1 report	1 report		Target achieved.	None	VAT 201 Forms submitted to SARS

IDP reference	KPA	Department	Indicator	Indicator Definition	Type	Baseline	Performance Comparison of prior and current financial years							
							Prior year's performance 2016/17		Overall Performance for Sep 2017 to Jun 2018					
							Annual Target	Annual Actual	Annual Target	Annual Actual	Achieved	Performance Comment	Corrective Measures	Proof of Evidence
KPI. 31	KPA7: Financial Viability	Financial Services	Timely and accurate review of salary pay runs before payment is released on a monthly basis and report to CFO	Timely and accurate review of salary pay runs before payment is released on a monthly bases and report to CFO	Activity	New KPI	0	0	6	6		Target achieved.	None	Report to CFO
KPI. 32	KPA7: Financial Viability	Financial Services	Back-ups of all systems and databases on a monthly basis to ensure municipal data is secured	Resolve all IT queries received to ensure effective IT systems for municipal processes	Activity	New KPI	0	0	6 reports	6 reports		Target achieved. Back-ups are cloud-based.	None	Back-up run reports

TABLE 25: PDO 8: TO STRIVE TOWARDS A FINANCIALLY SUSTAINABLE MUNICIPALITY

COMPONENT A: BASIC SERVICES:

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. Please note that the municipality is in process of comparing the municipal statistics to MERO and LGSEP statistics to ensure proper alignment.

3.1 WATER PROVISION

The table below indicates the access to water from 2017/18 per financial year.

Water Service Delivery Levels		
Description	Households	
	2016/17	2017/18
	Actual	
	No.	
<u>Water: (above min level)</u>		
Piped water inside dwelling	4 702	4889
Piped water inside yard (but not in dwelling)(backyard dwellers)	0	0
Using public tap (within 200m from dwelling)	0	0
Other water supply (within 200m)		
<i>Minimum Service Level and Above sub-total</i>	4 702	4889
<i>Minimum Service Level and Above Percentage</i>		
<u>Water: (below min level)</u>		
Using public tap (more than 200m from dwelling)		231
Other water supply (more than 200m from dwelling)	0	49
No water supply		
<i>Below Minimum Service Level sub-total</i>	0	280
<i>Below Minimum Service Level Percentage</i>		
Total number of households*	4 702	5569

TABLE 26: WATER SERVICE DELIVERY LEVELS – SOURCE: SAMRAS (MUNICIPAL STATISTICS)

Ladismith:

All households have access to basic water services which means that water is available within 200 meters from their dwellings/houses. All the houses in the urban areas of Kannaland Municipality are provided with individual water connections except for informal areas. Stand pipes are provided in the informal areas as a temporary emergency service.

Due to budget constraints the Municipality applied for funding support to ensure water security projects could be enabled. The following measures were put in place for the different support:

- Business plans have been submitted for approval for a new 3 mega-litre reservoir;
- Additional boreholes drilling and equipping. It must be noted that operating boreholes is expensive because of the associated electricity cost;

- Refurbishment of old piped networks.

During the year under review, the Municipality faced a severe drought period which hampered service delivery hence we still try our utmost best to deliver the necessary services to our residents concerning for example the availability of water. Enforcement of water restrictions remain a challenge due to absence of a by-law.

Water was provided to farm areas e.g Warmbad, St Helena, Baviaanskraans, Kerkplaas, Dankoord and Voorbaat (indigents) by means of water tanks at no costs to enable them to make use of water.

In this desperate period 12 boreholes were switched on which pump 34liters per second which was transferred to the reservoirs in Ladismith. Numerous awareness campaigns with the support of Local Government has been conducted as well as water restrictions have been communicated to the water users. Water was provided in poor areas

The current water losses are 40.19% and below is the reasons and remedial actions to reduce the losses to the norm:

- Faulty meters
- Leakages on existing pipelines and reservoirs
- By-pass on water meters
- Unaccounted water losses

The Municipality adopt a meter replacement strategy with the assistance of MISA. This intervention resulted that all faulty meters be replaced. During the year a water meter audit was conducted to identify all faulty meters, by-passed meters and water which were unaccounted in different areas.



The Municipality plans to upgrade the water networks within the municipal area to secure water usage as well the storage thereof.

Below is a layout of where the Swartberg Dam will be located. The Municipality re-submitted business plan to the Department of Water and Sanitation to unlock this catalytic project.



FIGURE 3: LOCATION OF THE PROPOSED SWARTBERG DAM

The table below indicates the total use of water by sector in kilolitres from 2017/18 per financial year:

Total Use of Water by Sector 2017/18				
Years	Commercial	Industrial	Domestic	Unaccountable water losses (R)
2016/2017	101 103	348 255	792 300	746 120
2017/2018	76 336	334 552	694 667	-802 446

TABLE 27: TOTAL USE OF WATER BY SECTORS – SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The tables below indicates the employees per levels, financial performance, capital expenditure and performance information (strategic objectives), for 2017/18 financial year:

Employees: Water Services				
Job Level	2016/2017	2017/2018		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)
	No.	No.	No.	No.
0 - 3	3	36	6	30
4 - 6	2	4	7	-3
7 - 9	4	20	10	10
10 - 12	0	4	5	-1
13 - 15	0	1	0	1
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	9	65	28	37

TABLE 28: TOTAL EMPLOYEES PER WATER SERVICES - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The table below indicates the financial performance of water services for the year under review:

Financial Performance 2017-2018: Water Services					
R'000					
Details	2016-2017	2017-2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13 119	14 485	19 033	20 471	29%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	15 504	12 344	13 858	16 929	27%
Total Operational Expenditure	15 504	12 344	13 858	16 929	27%
Net Operational Expenditure	(2 385)	2 141	5 175	3 542	40%

TABLE 29: FINANCIAL PERFORMANCE OF WATER SERVICES - 2017/18 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The table below indicated the capital expenditure for the year under review

Capital Expenditure 2017-2018: Water Services					
R' 000					
Capital Projects	2017-2018				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	5977	5977	5306	-13%	
Water reticulation	2177	2177	1792	-21%	
Drought relief	3800	3800	3513	-8%	
Project C				#DIV/0!	
Project D				#DIV/0!	

TABLE 30: CAPITAL EXPENDITURE OF WATER SERVICES - 2017/18 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The table below indicates the water services policy objectives taken from the IDP

Water Service Policy Objectives Taken From IDP					
Service Objectives	Outline Service Targets	2016/2017		2017/2018	
		Target	Actual	Target	Actual
Number of formal residential properties that receive piped water 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 watermeters (debtors listing)	4690	4702	4480	4873

TABLE 31: WATER SERVICE POLICY OBJECTIVES TAKEN FROM THE IDP - 2017/18 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

3.2 WASTE WATER (SANITATION) PROVISION

Sanitation:

The majority of households are connected to waterborne sanitation systems in the Kannaland area. The Municipality is intending to replace all bucket systems with water bourne system, however funding needs to be sourced to implement this project. No major infrastructure projects was executed due the lack of funding to support the projects.

Sanitation Service Delivery Levels		
Description	*Households	
	2016/17	2017/18
	Outcome	Outcome
	No.	No.
<u>Sanitation/sewerage: (above minimum level)</u>		
Flush toilet (connected to sewerage)	4 266	4245
Flush toilet (with septic tank)	0	189
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min.service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	4 266	4434
<i>Minimum Service Level and Above Percentage</i>	100,0%	100,0%
<u>Sanitation/sewerage: (below minimum level)</u>		
Bucket toilet	0	0
Other toilet provisions (below min.service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0,0%	0,0%
Total households	4266	4434

TABLE 32 - SANITATION SERVICE DELIVERY LEVELS 2017-2018 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The tables below indicates the employees per levels, financial performance and capital expenditure for 2017/18 financial year:

Employees: Sanitation Services					
Job Level	2016/2017	2017/2018			
	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	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
					T 3.2.7

TABLE 33: TOTAL EMPLOYEES PER SANITAION SERVICES - 2017/18 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The table below indicates the financial performance for the year under review

Financial Performance Year 0: Sanitation Services					
					R'000
Details	201	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10 425	25 426	6 652	12 710	-100%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	8 853	8 772	8 493	13 206	34%
Total Operational Expenditure	8 853	8 772	8 493	13 206	34%
Net Operational Expenditure	1 573	16 654	(1 841)	(496)	3459%

TABLE 34: FINANCIAL PERFORMANCE OF SANITAION SERVICES - 2017/18 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

There were no capital funding received for sanitation services for the financial year under review

Below is the policy objectives taken from the IDP for the financial year under review:

Sanitaion Service Policy Objectives Taken From IDP					
Service Objectives	Outline Service Targets	2016/2017		2017/2018	
		Target	Actual	Target	Actual
Number of formal residential properties that receive piped water 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 watermeters (debtors listing)	4690	4702	4480	4873

TABLE 35: SANITAION SERVICE POLICY OBJECTIVES TAKEN FROM IDP

3.3 ELECTRICITY

Electricity is the main energy source of households. The Kannaland Municipality is responsible for the provision of electricity to Ladismith and Calitzdorp, whilst Zoar and Van Wyksdorp are supplied by ESKOM.

Kannaland infrastructure is outdated and in need of urgent upgrade. The Municipality has over the past four years invested in new infrastructure to ensure secured electricity distribution to businesses and the community. The current substation in Calitzdorp has an electricity usage capacity of 1.7 MVA and the availability of electricity is 1.2 MVA.

Electricity Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	
	No.	
<u>Energy: (above minimum level)</u>		
Electricity - Conventional	2243	458
Electricity - prepaid	2121	3378
<i>Minimum Service Level and Above sub-total</i>	4364	3836
<i>Minimum Service Level and Above Percentage</i>	100%	100%
<u>Energy: (below minimum level)</u>		
Electricity (< min.service level)		
<i>Below Minimum Service Level sub-total</i>		
<i>Below Minimum Service Level Percentage</i>		
Total number of households	4364	3836

TABLE 36 - ELECTRICITY SERVICE DELIVERY LEVELS 2017-2018 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

The tables below indicates the employees per levels, financial performance and capital expenditure for 2017/18 financial year:

Employees: Electricity Services					
Job Level	2016/2017	2017/2018			
	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	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
T 3.3.6					

TABLE 37: TOTAL NUMBVER OF EMPLOYEES OER ELECTRICITY SERVICES

Financial Performance 2017-2018: Electricity Services					
R'000					
Details	2016-2017	2017-2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	46 927	57 608	50 960	53 070	-9%
Expenditure:					
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	35 035	37 455	35 690	39 496	5%
Total Operational Expenditure	35 035	37 455	35 690	39 496	5%
Net Operational Expenditure	11 892	20 153	15 270	13 574	-48%

TABLE 38: FINANCIAL PERFORMANCE PER ELECTRICITY SERVICES - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

Capital Expenditure 2017/18: Electricity Services					
R' 000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8000	8000	0	#DIV/0!	
Ladismith Bulk Electricity	8000	8000		#DIV/0!	
Project B				#DIV/0!	
Project C				#DIV/0!	
Project D				#DIV/0!	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.3.8

TABLE 39: CAPITAL EXPENDITURE PER ELECTRICITY SERVICES 2017-2018 - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

Electricity Service Policy Objectives Taken From IDP					
Service Objectives	Outline Service Targets	2016/2017		2017/2018	
		Target	Actual	Target	Actual
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. (Debtors list only where electricity is provided - Ladismith and Calitzdorp)	4557	4364	2665	3789

TABLE 40: ELECTRICITY SERVICE POLICY OBJECTIVES TAKEN FROM THE IDP – 2017/18

3.4 WASTE MANAGEMENT

Kannaland Municipality operates four landfill sites namely Ladismith, Calitzdorp, Zoar and Vanwyksdorp landfill sites.

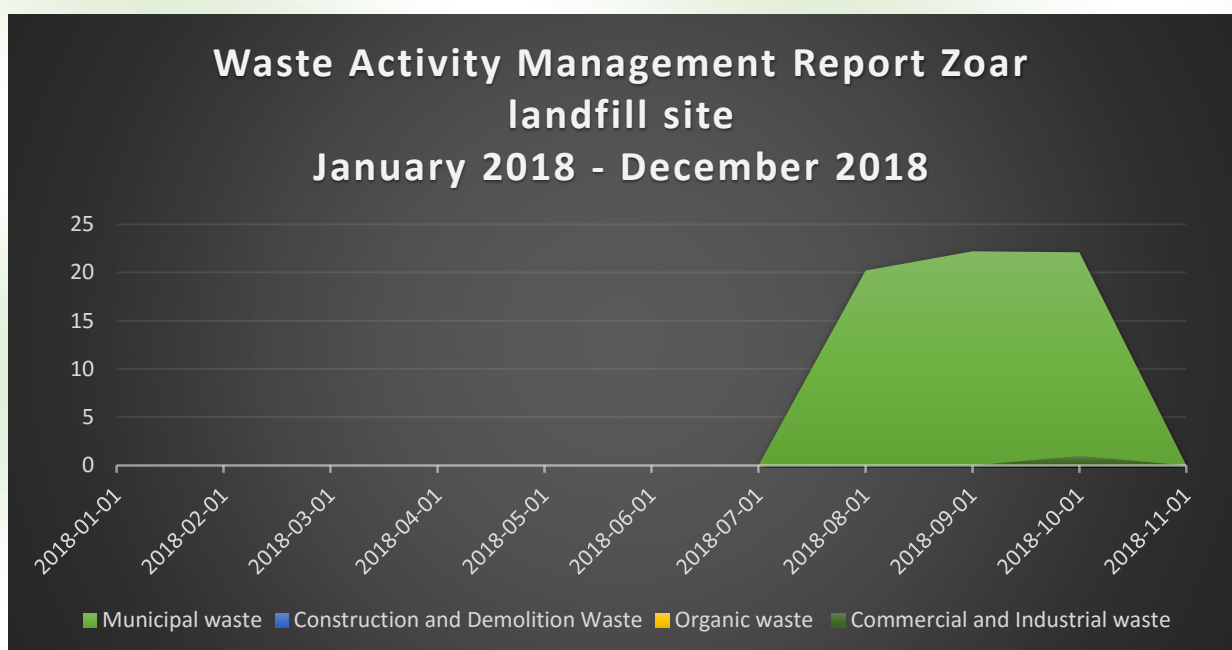
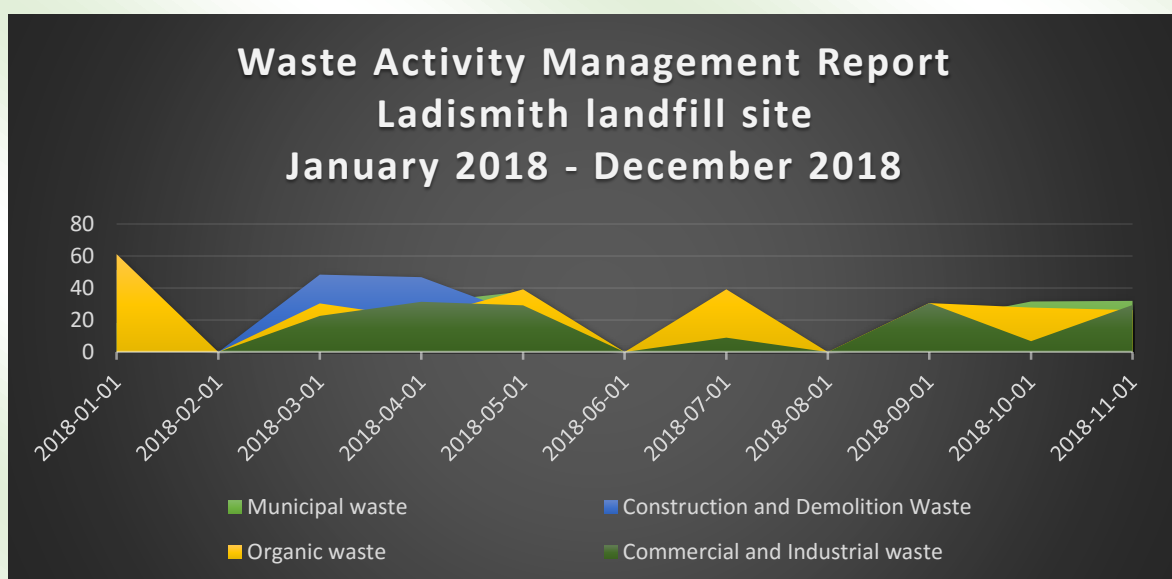
Ladismith and Zoar landfill sites has operational licenses for the disposal of general waste, but limited to the disposal of waste as prescribed in the NEMA: Waste Act 59 of 2008 which indicates the Norms and Standards for disposal of waste to landfill.

Calitzdorp and Vanwyksdorp landfill sites are licensed for closure, therefore only garden refuse and building rubble are prohibited at this site.

Waste generated and removed in Calitzdorp are transported to the Zoar landfill site. Waste generated and removed in Vanwyksdorp are transported to Ladismith landfill site.

Waste removal services are rendered to all household in the residential areas of Kannaland Municipal Areas once per week. Households on farms do not receive any refuse removal services as farm owners are allowed to dispose their waste at Ladismith and Zoar landfill sites respectively. Street cleaning takes place daily within the towns of Ladismith, Calitzdorp, Vanwyksdorp and Zoar.

The illustration below indicates the waste activity management in the Kannaland area



WASTE MINIMIZATION –Kannaland Municipality currently has no formal recycling initiatives although there are some private recyclers working on the landfill sites. Clorans Development provided the following statistics for materials recycled during 2018:

ACHIEVEMENTS:

- All four landfill sites have been suitably licensed;
- The Municipality is in the process of developing a Waste Minimization Strategy for the municipal area;
- Refuse removal services in Vanwyksdorp have been improved from once every two weeks to once every week;
- Attending the Eden Waste Management Officers Forum meetings as well as Western Cape Waste Management Officers Forum meetings as set out in the IWMP;
- Implementation of Waste Calculator Sheets at landfill sites;
- Regular reporting of waste information on iPWIS;
- Landfill sites are being maintained more regularly;

- One official was permanently employed at the Zoar landfill site and two officials at the Ladismith landfill site and one supervisor for the landfill sites;
- Containers were moved to the Ladismith and Zoar landfill sites where officials who render access control;
- Notice boards were placed at the Ladismith, Zoar and Calitzdorp landfill sites; and
- A Waste Management Steering Committee has been established.

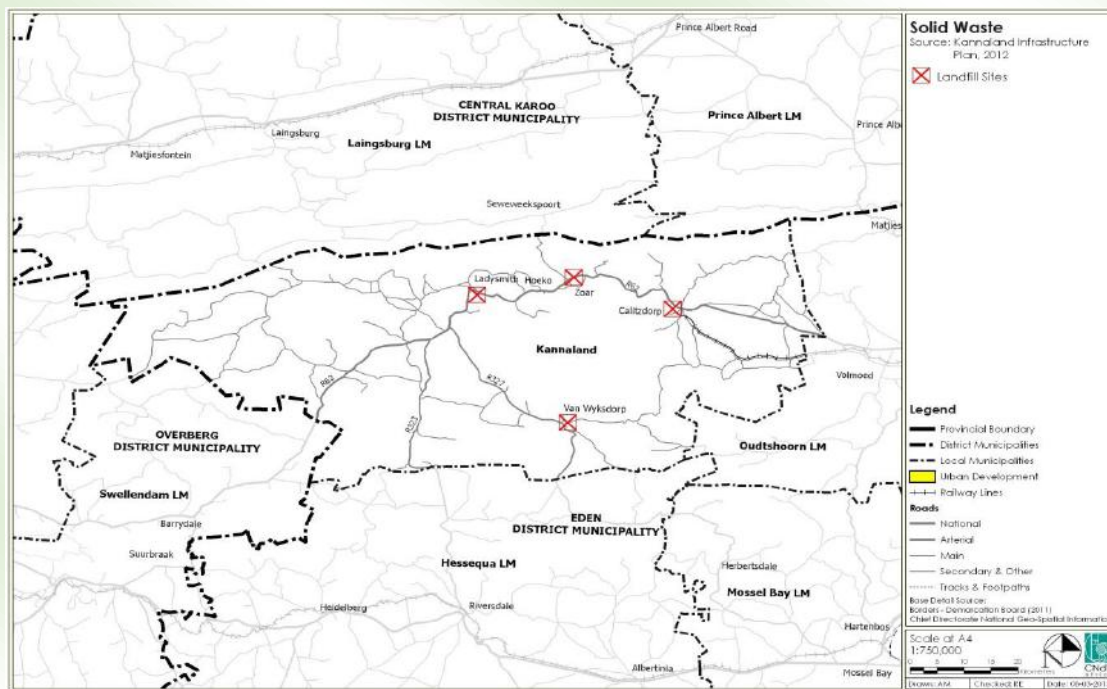


FIGURE 4: LANDFILL SITES - AS PER SDF

Zoar landfill site: Remaining landfill airspace

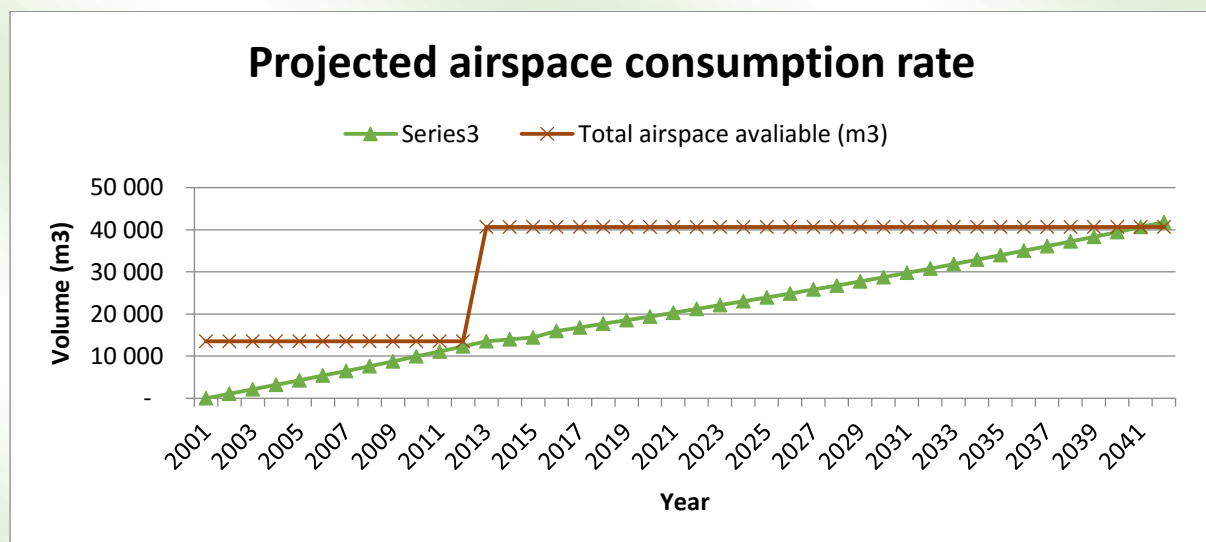


FIGURE 5: ZOAR LANDFILL SITES

Ladismith landfill site: Airspace determination

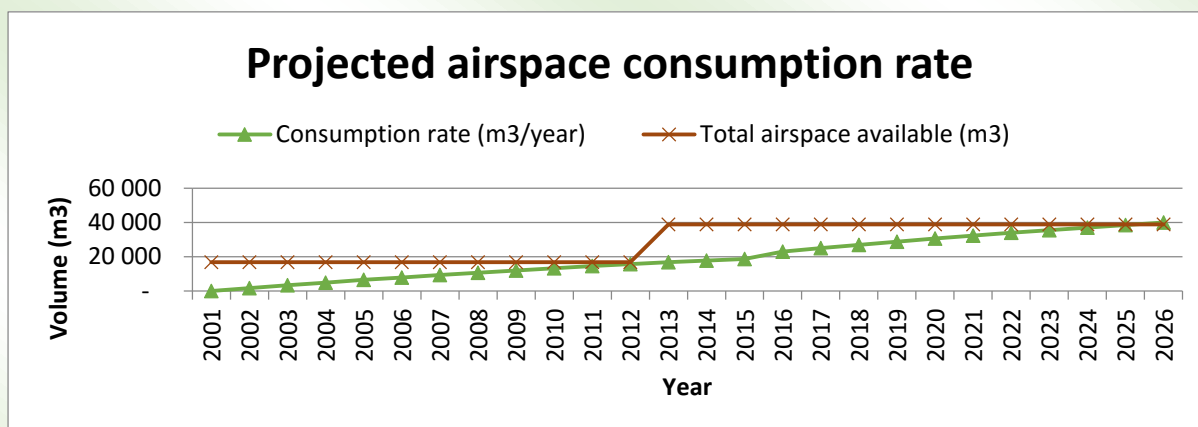


FIGURE 6: LADISMITH LANDFILL SITE

Calitzdorp landfill site: Airspace determination

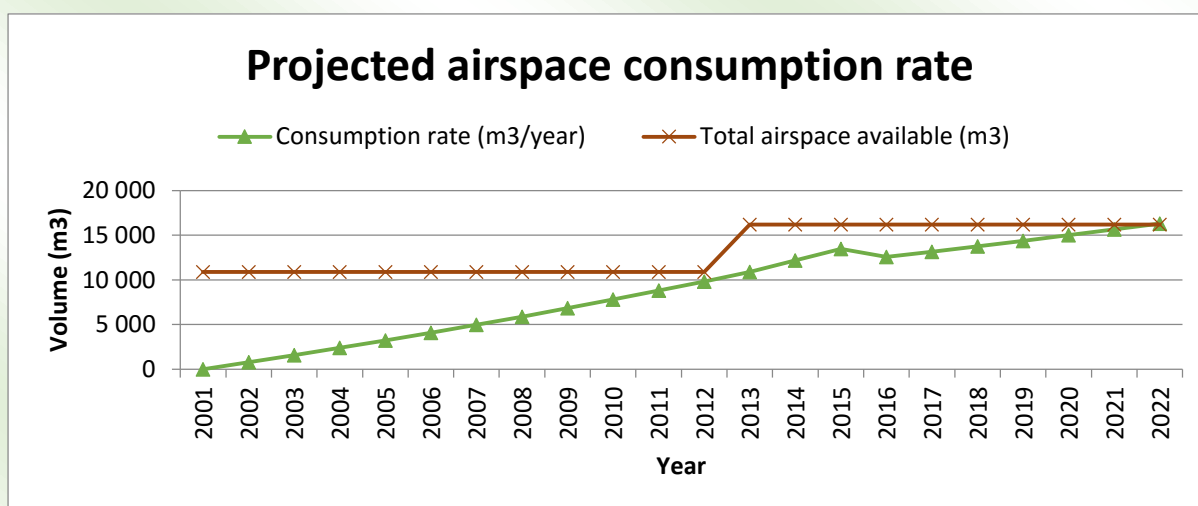


FIGURE 7: CALITZDORP LANDFILL SITE

Service Rendered

All erven are serviced at least once a week.

Area	Type of service /Frequency	Receptacles
Calitzdorp	Once per week – Tuesdays	Plastic black bags
Ladismith	Once per week – Mondays	Plastic black bags
Van Wyksdorp	Once per week – Wednesdays	Plastic black bags
Zoar	Once per week – Wednesdays	Plastic black bags

TABLE 41: SERVICE RENDERED – SOURCE: INTEGRATED WASTE MANAGEMENT STRATEGY

Service Rendered

All erven are serviced at least once a week.

Area	Type of service /Frequency	Receptacles
Calitzdorp	Once per week	Plastic black bags
Ladismith	Once per week	Plastic black bags
Van Wyksdorp	Once per week	Plastic black bags
Zoar	Once per week	Plastic black bags

TABLE 42: SERVICE RENDERED – SOURCE: INTEGRATED WASTE MANAGEMENT STRATEGY

Employees: Solid Waste Magement Services					
Job Level	2016/2017	2017/2018			
	Employees	Posts	Employees	/Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	6	0	6	
4 - 6	1	0	0	0	
7 - 9	3	4	1	3	
10 - 12	0	1	0	1	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	8	11	1	10	
T3.4.5					

TABLE 43: TOTAL NUMBER OF EMPLOYEES PER SOLID WASTE MANAGEMENT SERVICES

Financial Performance 2017/18: Solid Waste Management Services					
R'000					
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	9 218	9 820	6 159	11 371	14%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	13 432	6 764	6 203	13 596	50%

Financial Performance 2017/18: Solid Waste Management Services					
R'000					
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Expenditure	13 432	6 764	6 203	13 596	50%
Net Operational Expenditure	(4 214)	3 057	(44)	(2 225)	237%

TABLE 44: FINANCIAL PERFORMANCE OF SOLID WASTE MANAGEMENT SERVICES

There were no capital expenditure on solid waste for the financial year under review.

Below is the service policy objectives taken from the IDP for the financial year under review:

Waste Service Policy Objectives Taken From IDP					
Service Objectives	Outline Service Targets	2016/2017		2017/2018	
		Target	Actual	Target	Actual
Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2018	Number of residential properties which are billed for sewerage (Debtors listing)	4100	4266	4400	4434

TABLE 45: WASTE SERVICE POLICY OBJECTIVES TAKEN FROM THE IDP

3.5 HOUSING

Kannaland Municipality appointed ASLA as Implementing Agent for the construction of low cost houses and associated infrastructure for the towns of Ladismith, Zoar and Van Wyksdorp in terms of Regulation 32 of the Municipal Supply Chain Regulations with effect from November 2012 for a three year period.

ASLA DEVCO has been appointed as Implementing Agent for the construction of low cost houses and associated infrastructure for the town of Calitzdorp in terms of Regulation 36 of the Municipal Supply Chain Regulations with effect from November 2012 for a three year period.

The Council of Kannaland Municipality has considered and resolved that the appointment of both ASLA and DEVCO ASLA be extended for three years in terms of Section 116(3) of the Municipal Finance Management Act (Act 56 of 2003).

Successes achieved during the year under review are, amongst others the Title Deed Restoration Project (TRP) which were implemented. To date 185 titles deeds were registered that transferred to beneficiaries. In addition 32 storm damaged houses were repaired in Zoar on 13 December 2017 under the Emergency Housing Project (EHP).

An application to build 100 top structures in Zoar was submitted to Provincial Department of Human Settlements on 25 February 2018.

Some of our less fortunate experiences were the fact that the municipality could not deliver basic services to informal areas and challenges are the fact that bulk services cannot be supplied in informal settlements because plots in these areas which cannot be formalised.

A number of measures were identified and implemented by the Municipality, amongst which were to build capacity in the Housing Section, which would have a significant impact on the effectiveness and efficiency of service delivery within the section. The management and coordinating function within the section have improved tremendously since 01 February 2018 and the municipality is reaping the fruit of improved planning. The Provincial Department of Human Settlements is in the process of appointing a service provider to assist Kannaland Municipality to create better living conditions for inhabitants of informal settlements within the municipal area. The Housing Demand Database is being updated to clean-up outdated data captured on the database.

A constraint which hampers service delivery in the informal settlements is the absence of bulk basic services which cannot be delivered to some of these settlements. Environmental Impact Assessments have to be conducted to ascertain whether these areas occupied to erect informal settlements are conducive for occupancy. Applications to deliver bulk basic services in informal settlements were submitted to Municipal Infrastructure Grant (MIG) through Technical Services Department in March 2018. The application was however declined because the plots were not registered. The Municipality resolved to apply for the services of a land conveyancer to formalise plots in informal settlements for bulk basic services to be installed in these areas.

The provision of human settlements is a high priority for the Municipality. Challenges do exist with regard to the capacity of bulk infrastructure services with specific reference to waste water treatment works, water storage and water works. This has delayed the delivery of human settlements over the past few years which has resulted in the significant increase in the housing waiting list.

The Municipality developed a human settlement policy which regulates the housing waiting list and the allocation of housing.

Given the expectation of economic growth resulting from water security and the ancillary job-creation prospect of the proposed dam and its construction, the provision of affordable housing and its supporting infrastructure, such as water, electricity, sanitation, sewerage, and roads are foremost in creating a sound and sustainable cradle for continuing development and growth.

No houses have been built during the year under review but a significant number of title deeds for houses were transferred to respective beneficiaries across the municipal area. A total of 49 title deeds were issued to beneficiaries in Zoar

The following projects have been completed in the 2017/2018 financial year:

ZOAR

- 32 Storm damaged houses were repaired on 13 December 2017;
- New Emergency Housing Project application based on erven not included in Storm Damaged Houses funding;
- Zoar Infill Housing project: are being finalized for this project in Protea Park.

- Replacement of asbestos roofs: an erf by erf assessment is required and an application has been sent to the Department of Housing;
- Zoar new housing project (Greenfields): a funding application for this project (opposite Maxis) that was previously submitted has been resubmitted and approval of funding is being awaited; and
- Title Deeds have been handed over to 49 beneficiaries in Zoar during 2017/18.

Challenges

- Water security remains a challenge however investigation is currently underway to address the issue with more boreholes to be drilled for extra capacity and funding is required for building of the new dam.

LADISMITH

- Ladismith Parmalat 400 RDP Housing: the Environmental Assessment Process is standing still due to bulk services challenges. A new application was submitted on 25 February 2018 is being considered for approval;
- Ladismith Varkieskloof: a new application for funding is being prepared;
- Gap housing: 40 applications have been finalized and are awaiting construction to commence; and
- Title Deeds have been handed over to 14 beneficiaries in Ladismith in 2017/18.

Challenges

- The Parmalat and Varkieskloof projects will likely also require an Environmental Assessment application and bulk services constraints will remain as long as the proposed dam has not been built and the waste water treatment works have not been upgraded.

CALITZDORP

- Kannaland Municipality is currently busy with the screening process to identify the beneficiaries who qualifies for the 179 top structures to completed by 31 May 2019;
- Beneficiary administration are being finalized for phase 3 top structures; and

- Construction of phase 3 top structures.

Challenges

- Water supply is restricted due to the drought however under normal circumstances the water supply capacity is sufficient; and
- 100 title deeds are currently stored at Municipal archives and will be distributed to beneficiaries in due course.

VANWYKSDORP

- 100 RDP Housing Development: property belongs to a farmer and amendments to the

urban edge must be completed before this project can proceed, however planning and related processes are in process; and Housing backlog and provision in housing pipeline

The Kannaland Municipality housing pipeline reflects provides for the following houses:

Town	Waiting List	GAP Housing R 3501-R 15 000	Informal settlement	Provided in pipeline
Ladismith	1 282	83	45	1 606
Calitzdorp	1 024	102	45	651
Zoar	520	32	42	145
Van Wyksdorp	200	5	21	100
Total	3 026	222	153	2 503

- *TABLE 46: HOUSING PIPELINE AND PRE-FEASIBILITY REPORT – DE KOCK ASSOCIATES – INCLUDING MUNICIPAL DATABASE INFORMATION AS AT 30 JUNE 2018.*

A Housing Pipeline was developed to assess the demand for low and middle income group housing in Kannaland. The high unemployment rate and the agricultural nature of the local economy (which is affected by the national and international trends towards growth in the agricultural sector and the severe drought) have resulted in a significant increase in the demand for low cost housing.

Housing backlog and provision in housing pipeline

The Kannaland Municipality housing pipeline reflects for the following:

Town	Waiting List	GAP Housing R 3501-R 15 000	Informal settlement	Provided in pipeline
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Final Annual Report 2017/2018

Ladismith	1 282	83	45	1 606
Calitzdorp	1 024	102	45	651
Zoar	520	32	42	145
Van Wyksdorp	200	5	21	100
Total	3 026	222	153	2 503

TABLE 47: HOUSING PIPELINE AND PRE-FEASIBILITY REPORT – DE KOCK ASSOCIATES – INCLUDING MUNICIPAL DATABASE INFORMATION AS AT 30 JUNE 2018.

The tables below indicates the employees per levels, financial performance and capital expenditure for 2017/18 financial year:

Employees: Housing Services					
Job Level	2016/2017	2017/2018			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	1	-1	
4 - 6	0	0	0	0	
7 - 9	2	2	1	1	
10 - 12	2	1	1	0	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	4	3	3	0	

TABLE 48: TOTAL NUMBER OF EMPLOYEES PER HOUSING SERVICES

Financial Performance 2017/18: Housing Services					
R'000					
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	29	2 492	2 030	6 173	60%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!

Other	12 623	6 863	3 058	7 037	2%
Total Operational Expenditure	12 623	6 863	3 058	7 037	2%
Net Operational Expenditure	(12 594)	(4 372)	(1 028)	(864)	-406%

TABLE 49: FINANCIAL PERFORMANCES OF HOUSING SERVICES - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

Housing Objectives Taken From IDP				
Service Objectives	2016/2017		2017/2018	
	Target	Actual	Target	Actual
Number of storm damaged houses be rectified	None	None	32	38

TABLE 50: HOUSING OBJECTIVES TAKEN FORM THE IDP

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

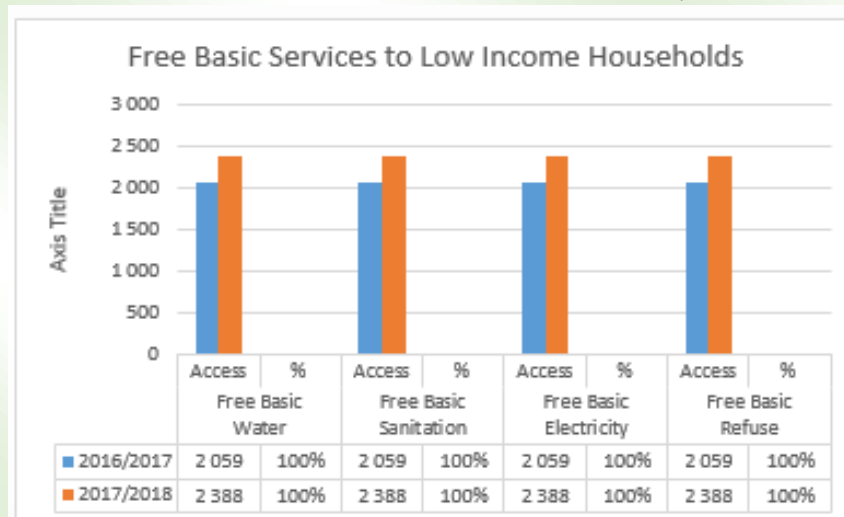
Free basic municipal services are rendered to all urban areas and some rural areas within the municipal boundaries. The objective of Kannaland Municipality is to ensure that the procedures and guidelines, regarding indigent household subsidies, are known to all. This action is usually done through public participation meetings, ward committee meetings and councillor feedback meetings. Applications for a subsidy can be made with the assistance of a person in charge of permanent offices in the areas.

Special drives are also performed in the different wards where the community is invited to come and apply for a subsidy at a hall nearby or municipal offices and where they are also assisted with the completion of the applications.

The tables below indicate the households that received free basic services in the 2016/17 and 2017/18 financial years:

Free Basic Services To Low Income Households								
	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
	Access	%	Access	%	Access	%	Access	%
2016/2017	2 059	100%	2 059	100%	2 059	100%	2 059	100%
2017/2018	2 388	100%	2 388	100%	2 388	100%	2 388	100%
								T. 3.6.3

TABLE 51: FREE BASIC SERVICES TO LOW INCOME HOUSEHOLDS - SOURCE: SAMRAS (MUNICIPAL STATISTICS)



The table below indicate the financial performance:

Financial Performance 2017/18: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2016/17	2017/18			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	200	244	250	248	2%
Waste Water (Sanitation)	220	240	250	245	2%
Electricity	100	120	130	135	11%
Waste Management (Solid Waste)	105	110	120	125	12%
Total	625	714	750	753	5%

TABLE 52: FINANCIAL PERFORMANCE OF FREE BASIC SERVICES - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

COMPONENT B: ROAD TRANSPORT

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

3.1 ROADS

Municipal Roads

The Municipality is responsible for the maintenance of roads within the four (4) towns (Ladismith, Calitzdorp, Zoar and Van Wyksdorp).

A roads and stormwater master plan has been developed to identify the ageing infrastructure and recommend interventions to address the challenges. During a consultation session with sector departments, the Municipality approached the Municipal Infrastructure Support Agent "MISA", for assist with the development and compilation of the Roads and Storm Water Master Plan.

Completed projects

The Municipality is aware of the challenges with regard to road maintenance in Ladismith and is planning to upgrade all the streets and pavements in Ladismith in the next few financial years.

During the 2017/18 financial year, operational maintenance commenced and potholes were filled as a /temporary measure. The upgrade of Gravel roads in Zoar has been funded by MIG and has successfully completed. It should be noted that all storm water projects goes concurrently with all road projects.

The table below indicates the capital employees per level in terms of road services for the 2017/18 financial year.

Employees: Road Services					
Job Level	2016/2017	2017/2018			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	0	5	
4 - 6	0	0	0	0	
7 - 9	0	1	0	1	
10 - 12	1	1	0	1	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	6	7	0	7	
T3.7.7					

TABLE 53: TOTAL NUMBER OF EMPLOYEES PER ROAD SERVICES

The table below shows the financial performance and capital expenditure:

Financial Performance 2017-2018: Road Services					
R'000					
Details	2016-2017	2017-2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 369	11 420	10 370	9 215	-24%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	6 567	6 863	6 617	7 947	14%
Total Operational Expenditure	6 567	6 863	6 617	7 947	14%
Net Operational Expenditure	(5 198)	4 557	3 753	1 268	-259%

TABLE 54: FINANCIAL PERFORMANCE 2017-2018: ROAD SERVICES

Capital Expenditure 2017-2018 Road Services					
R' 000					
Capital Projects	2017-2018				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2413	2413	2028	-19%	
Zoar Upgrade of Internal Gravel Roads Ph1	2413	2413	2028	-19%	
Project B				#DIV/0!	
Project C				#DIV/0!	
Project D				#DIV/0!	

TABLE 55: CAPITAL EXPENDITURE 2017-2018 ROAD SERVICES - SOURCE: SAMRAS (MUNICIPAL STATISTICS)

3.2 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

NO INFORMATION

3.3 WASTE WATER (STORM WATER DRAINAGE)

The Municipality is committed to maintain and clean the existent storm water drainage systems in the Kannaland area. It should be noted that with all road upgrades and repairs, storm water drainage systems will concurrently being upgraded and maintained on a regular basis.

Storm water systems exist in most of the residential areas. In informal and low-cost housing areas. Daily maintenance consists of opening and cleaning catch pits, manholes, side drains and open channels.

During the road and storm water master planning challenges were identified and recommended to be addressed. Business plans will be submitted for financial support in order to address all challenges.

Employees: Stormwater Services					
Job Level	2016/2017	2017/2018			
	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	4	5	0	0	0
10 - 12	1	1	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	5	6	0	0	0

TABLE 56: EMPLOYEES: STORMMATER SERVICES

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

3.4 PLANNING

Building Control

Currently the Municipality has a Building Control section which is responsible for dealing with all building applications in terms of the building and planning regulations.

The Land Use Planning Ordinance, 1985 (Ordinance 15 of 1985), hereafter referred to as “LUPO”, as a 1985 piece of legislation, predates the current Constitution of the RSA and was found to be unconstitutional in many respects. The Constitution confers “municipal planning” firmly as a municipal competency whilst in LUPO many of these powers vest with the Minister.

As a result of this the Land Use Management Act, 2013 (Act 16 of 2013), hereafter referred to as “SPLUMA”, at national level, the Western Cape Land Use Planning Act, “LUPA”, and Standard by-laws for municipal land use planning, has been developed to control land use planning.

The effect of this legislation transfers the full responsibility for land use planning to municipalities. The following are the key areas addressed in the legislation:

- Drafting of municipal spatial development frameworks,
- New integrated municipal zoning schemes,
- Receive and consider all land use applications,
- Decision making on land use applications by delegation to officials and to the Tribunals to be established.
- Appeals against decisions of the delegated official or the Tribunal to the Council’s appeal authority,
- Regulating time frames, notifications, confirmation of subdivision arrangements,
- Lapsing of rights
- Transgressions and enforcements.

Currently the Municipality has a Building Control section which is responsible for dealing with all building applications in terms of the building and planning regulations.

For some time Kannaland Municipality could not approve building plans in-house due to capacity constraints and had to make use of shared service agreements with George to provide the service to the public.

In February 2018 Kannaland appointed its own in-house Building Control Officer and as a result improved the provision of this service to the public. This appointment brought about more stability to this section and service.

Spatial Planning

The Council adopted a Spatial Development Framework (SDF) on 25 November 2013, after an intensive Public Participation Process.

The purpose of the SDF is to give guidance for future development in each town, and is limited within the urban edge of each town. The SDF is a living document thus Kannaland Municipality embarked on a formal review process to update the SDF to be more aligned with the current town planning challenges.

The tables below will show the total applications for land use development, total employees per level, financial performance and capital expenditure incurred for the year under review:

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
Planning application received	-	-	-	9	117	201
Determination made in year of receipt	-	-	-	1	107	185
Determination made in following year	-	-	-	-	5	8
Applications withdrawn	-	-	-	-	-	2
Applications outstanding at year end	-	-	-	8	5	6

TABLE 57: APPLICATIONS FOR LAND USE DEVELOPMENT

Employees: Planning Services					
Job Level	2016/2017	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	

Employees: Planning Services					
Job Level	2016/2017	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
4 - 6	0	2	0	2	
7 - 9	0	2	0	2	
10 - 12	0	4	1	3	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	0	8	1	7	

TABLE 58: EMPLOYEES: PLANNING SERVICES

3.5 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

LED STRATEGY

The LED strategy will be re-developed and workshop during the 2018/2019 financial year. Partnerships with DEDAT and Private sectors must be established to supporting the Municipality into developing a future generation LED strategy and Tourism master plan.

Conducive environment

Kannaland Local Municipality plays an essential role in LED and their mandate is to create an environment enabling promote local economic development. Local Government contributes to this pillar through their main activities such as procurement etc. which will attract and not deter investment.

Broadening the economic base

The local economy of Kannaland is strongly focused on the services sector and this pillar specifically supports activities leading to the expansion of the services sector specifically retail and business opportunities. The establishment of this sector will lead to SMME's and larger investors providing goods and services which are sustainable and will lead to an increased investment and economic growth in the area.

Increased accessibility

To ensure that all people living in the Kannaland area have better access to improved services rendered by the Municipality and other spheres of government.

Infrastructure investment

The physical infrastructure in Kannaland needs to have a sufficient carrying capacity to meet the needs of the citizens of the area. Therefore be it housing or bulk services, this type of investment is essential to promote LED in the area which is environmentally friendly.

Wealth creation

In order for Kannaland's economy to grow it is essential that the local economy grows through more investment and businesses being introduced into the area. The business opportunities which relate to specific leading sectors have been identified to diversify these sectors and create opportunities for local SMME's relating to viable business opportunities.

Attracting visitors and investors

Kannaland's local economy is built on the opportunities created by tourists visiting the area. It is essential that the tourism industry be further developed and investment into this industry be promoted to ensure continuous growth. We must look at all the qualities and attractions in our area, to secure investment and better opportunities for the development of Kannaland communities.

The **Expanded Public Works Programme** is one of government's ranges of programs aimed at service delivery, addressing poverty and providing income relief through temporary work opportunities for the unemployed. The EPWP is one of Kannaland Municipality's key job creation programmes given the high levels of unemployment in the area. This policy demonstrates Council's commitment towards job creation. Council has also resolved that all infrastructure projects (RBIG, MIG, ACIP, and electrical grant funding projects) are implemented on labor intensive principles.

The Municipality was nominated for best performance in the Western Cape for the EPWP programme.

The tables below will show the jobs created through EPWP, total employees per level, financial performance and capital expenditure incurred during the year under review:

JOBS CREATED THROUGH EPWP			
EPWP Projects	Jobs created through EPWP projects	EPWP Projects	Jobs created through EPWP projects
2016/2017	No	2017/2018	No.
Cleansing of water and sewerage works in Kannaland	30	Waste site clearance in Kannaland	25
IG/Safety security services in Ladismith	6	Cleaning around Kannaland towns	20
Law enforcement project in Kannaland	6	Cleaning of Ladismith graveyard	8
TYC Clothing Project	8	Kannaland EPWP data capturer	1
Waste Site and cleaning in Kannaland	6	Waste water treatment works in Kannaland	10
		Water treatment works in Kannaland	9
		Kannaland Law Enforcement	10
TOTAL	56		83

TABLE 59: JOBS CREATED THROUGH EPWP

Employees: Local Economic Development Services					
Job Level	2016/2017	2017/2018			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	1	1	0	1	0%
7 - 9	0	0	0	0	0%
10 - 12	1	1	0	1	0%
13 - 15	1	1	0	1	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	3	0	3	

TABLE 60: EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT SERVICES

COMPONENT D: COMMUNITY & SOCIAL SERVICES

3.6 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

LIBRARIES

The Municipality renders the library service on an agency basis for the Provincial Government which is funded 100% through grants. The Municipality views the libraries as key to developing the human capital, encouraging people to equip themselves with knowledge and skills in order to lead quality lives.

Ladismith Public Library:

Mzansi Libraries On-Line

The Municipality was part of the Mzansi Libraries On-Line intended to strengthen and enhance public libraries in South Africa. The project is operated by the National Library of South Africa (NLSA) and the Department of Arts and Culture (DAC), and funded by the Bill & Melinda Gates Foundation.

Kannaland Municipality was selected from each of the nine (9) provinces. It has focused on adding value to the lives of local communities through the provision of free access to Information Communication Technologies (ICT's), the improvement of other related services and the provision of relevant training to library staff.

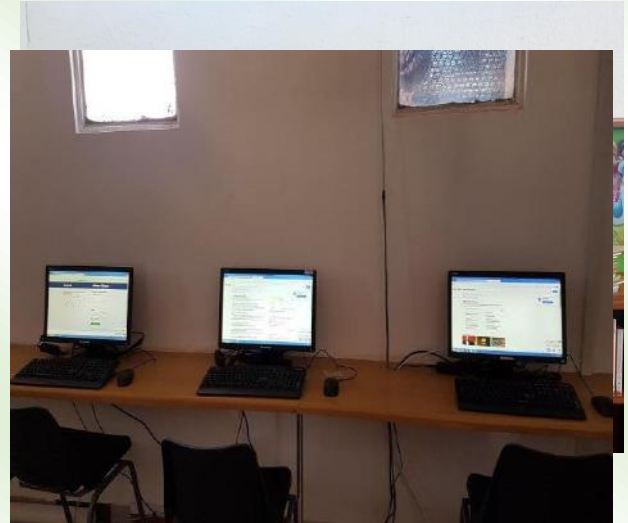
Together with strong government support through the Community Library Services Grant Programme, administered by the Department of Arts and Culture (DAC) and aimed at redressing the inequalities of the past in terms of the provision of library and information services in historically disadvantaged areas, the pilot project aims to strengthen and consolidate public libraries as true community development partners.

The programme is intended to contribute towards enhancing the quality of life in local communities by focussing on a number of key activities, such as e-governance, health information, job and labour related issues, including education and recreational services which will assist in addressing national imperatives related to education, youth unemployment, community development and scarce skills amongst librarians at local level.

The services rendered to the community was and still is based on:

- Free internet access to information
- Introduction and incorporation of new technologies in existing and new services
- Re-designed spaces and technology infrastructure
- Training and development of library end-users and staff based on identified training needs

During the year under review the Ladismith library was also renovated to make it more learner and green friendly.



Calitzdorp Library:

During the year under review the library has fully internet access as well access to the Sita Library Information Management System (SLIMS). Through various public participation with the community and broader stakeholders has raised that the Bergsig library should be upgraded and be accessible to our youth and other members. This will be initiated during the 2018-19 / 2019-20 financial years after business plans will be submitted to funding.

Zoar Library:

During the year under review the library has fully internet access as well access to the Sita Library Information Management System (SLIMS). Due to financial constraints as well personnel the library received 3 computers as the demand in the area was too high. Business plans have been submitted to expand the library and to receive more equipment.

Van Wyksdorp:

Library was run on a voluntary basis but an appointment was finally made. During the year under review the library has fully internet access as well access to the Sita Library Information Management System (SLIMS).

Library outreaches have been conducted to raise educational awareness amongst scholars. Programmes have been initiated by the Provincial Government whereby stakeholders and broader community get together to share history of each town.

Most of the challenges throughout the towns is that the value of losses be monitored and funding to expand the other libraries and equip it with computers and learning spaces.

The tables below indicates the total employees per levels, financial performance and capital expenditure for the year under review:

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	2016/2017	2017/2018			
	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	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
T 3.12.4					

TABLE 61: EMPLOYEES: LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER

Financial Performance 2017-2018: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R'000					
Details	2016-2017	2017-2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	69	2 003	2 559	2 059	3%
Other	1 980	2 003	2 297	2 159	7%
Total Operational Expenditure	1 980	2 003	2 297	2 159	7%
Net Operational Expenditure	(1 911)	–	262	(100)	100%

TABLE 62: FINANCIAL PERFORMANCE 2017-2018: LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER -
 SOURCE: SAMRAS (MUNICIPAL STATISTICS)

3.7 CEMETERIES

The Municipality has identified the need to develop new cemeteries due to capacity restrictions and the remaining utilisation expectancy of the current cemeteries. Land for the new cemetery in Zoar has been identified and the re-zoning approved. The Environmental Impact Assessment is in progress.

The Ladismith cemetery has nearly reached its capacity but sufficient adjacent land is available to accommodate extension in terms of the Environmental Impact Assessment (EIA) Legislation. A formal process has been initiated to seek suitable alternative land.

The Bergsig and Calitzdorp town cemeteries have also reached full capacity. The Bloekomlaan cemetery will be utilised as an alternative cemetery site for the Bergsig and Calitzdorp town communities. This will be formally communicated through public participation processes. In addition a further utilisation expectancy study will be conducted.

The Van Wyksdorp cemetery has nearly reached its capacity and the consulting engineers have been instructed to seek suitable alternative land to establish a new cemetery for Van Wyksdorp. The Municipality is successful in maintaining the cemeteries to a high standard even though vandalism and theft of property are problematic and on the increase.

The tables below show the total employees per level, and financial performance for the year under review:

Employees: Cemeteries and Crematoriums					
Job Level	2016/2017	2017/2018			
	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	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

TABLE 63: EMPLOYEES: CEMETERIES AND CREMATORIALS

Financial Performance 2017-2018: Cemeteries and Crematoriums

Details	R'000				
	2016-2017	2017-2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	35	23	23	96	76%
Expenditure:					
Employees	–	–	–	–	#DIV/0!
Repairs and Maintenance	–	–	–	–	#DIV/0!
Other	245	244	255	227	-8%
Total Operational Expenditure	245	244	255	227	-8%
Net Operational Expenditure	(210)	(220)	(232)	(131)	-69%

TABLE 64: FINANCIAL PERFORMANCE 2017-2018: CEMETERIES AND CREMATORIALS

COMPONENT E: ENVIRONMENTAL PROTECTION

Urban expansion and farming in marginal areas to meet the demand of an increasing population, are leading to a loss of land and productivity. Secondary pressures, such as climate change, desertification and alien plant invasion, are further contributing factors.

Humans influence land degradation in three principle ways:

- The use of land resources for productive purposes: for agriculture, the collection of wood for fuel and building materials, as well as water abstraction and mineral extraction.
- The use of land resources for space needs, for example, settlement, infrastructure and recreational purposes.
- A tertiary set of influences comprises the incidental and often remote impacts of economic activity on land resources: for example, pollution of (sub) surface and atmospheric water resources by industry, alien plant invasion and climate change.

Agriculture has transformed much of Kannaland's natural landscape to cultivated lands. The Little Karoo, in general, which is under extensive agriculture, game farming and conservation land uses, falls within the category "Succulent Karoo /Spekboom/ Fynbos".

Land degradation manifests itself in the soil and in the veld. Sheet erosion is the most common form of soil degradation, with some rill and gully erosion in Kannaland. The Combined Land Degradation Index (CDI) indicates that the most degraded areas within.

Kannaland are situated around Ladismith and Calitzdorp because of overgrazing. The rest of Eden is only lightly affected by soil and veld degradation issues.

To monitor land degradation in Kannaland, the following indicators need to be identified:

- Area of land under formal conservation protection;
- Landscape change;
- Number of agricultural subdivisions; and
- Combined Land Degradation Index.

Six impact groups associated with land degradation drivers in Kannaland are:

- Farming in marginal areas, which leads to loss of ecosystem integrity, loss of natural habitats and which exerts stresses on the natural resource base, for instance on water through irrigation of crops.
- Subdivision of agricultural land into uneconomically viable units and urban sprawl leads to diminishing agricultural returns.
- Urban expansion triggered by population growth and a better standard of living leads to the loss of agriculturally productive land and other land conflicts (e.g. conservation vs. urban development).
- Alien plant invasions cause veld degradation, a reduction on the quality and quantity of water and hence the loss of biodiversity resources.
- Climate change (global warming) brings an increase in the frequency of extreme weather events (droughts/ flooding), change in rainfall patterns and in extreme cases desertification. Loss of biodiversity is strongly associated with these phenomena.

WATER

Kannaland falls largely within the Gouritz Water Management Area, a grouping of primary water catchments, which are diverse in nature, evaporation exceeds rainfall in the northern catchments meaning that these are water stressed areas. In contrast, rainfall generally matches evaporation in the southern catchments meaning that these are generally moister environments. In the Gouritz River catchment the development of surface water resources has reached its full potential and all the water is fully utilised.

The inland water resources are under severe pressure through urban population increased. In concert with population growth Kannaland has experienced expansion in the provision of water services. In addition, low cost housing projects emerging from the National Reconstruction and Development Programme (RDP), together with the National Water and Sanitation Programme which has contributed to water demand. A further pressure on the water resource is the influx of tourism over the holiday season, introducing a spike in water demand. Economic growth and consumer and export demand has led to an increase in agricultural production, which in turn has placed greater pressure on water resources through greatest abstraction for irrigation.

Alien invasive plant and animal species, introduced by human actions either accidentally or for commercial purposes, are proving a major threat to the quality and quantity water, as well as to the biodiversity of freshwater systems. Climate change is expected to lead to slightly reduced rainfall over the Kannaland region, increased variability of rainfall, fewer but heavier precipitation events and increased temperatures and evaporation. These effects could work together to increase flooding, but could also reduce base-flow (long term low flow).

BIODIVERSITY

Owing to its broad range of climatic conditions, geology, soils and landscapes, Kannaland has a very substantial share of global biodiversity within its borders. Kannaland's biological heritage is important in many ways – providing ecosystem services like clean water, contributing directly to the economy through industries like fishing and tourism, supporting livelihoods by providing food, medicines and building materials and generally improving health and well-being. Through habitat destruction and ill-conceived developments biodiversity is under threat world-wide.

To counteract this threat Kannaland should protect representatives of as many types of community and ecosystem as possible. By conserving suitable habitat we are also improving the survival chances of the species and populations contained therein. Living landscapes preserve the option value of biodiversity – the potential to provide benefits in the future.

Important driving forces putting pressure on the biodiversity resources of Kannaland are:

- Population growth;
- The demand for economic growth to provide wealth and job creation;
- Demand for housing and associated services for historically disadvantaged people;
- Unsustainable extraction of natural resources as a result of poverty or greed;
- Poor land use practices promoting soil erosion and infestation by invasive alien plants;
- Poor waste and pollution management;
- Climate change; and
- Lack of understanding

In terms of appropriate responses, the mainstreaming biodiversity consideration into socio-economic agendas holds most promise to turn the situation around. It is necessary to:

- Integrate the protection and management of biodiversity resources with all human development by means of regional and national conservation initiatives;
- Build capacity in the areas of conservation assessment, taxonomy, green technology and knowledge transfer;
- Increase capacity in environmental law enforcement, management and education;

- Strengthen existing biodiversity conservation programmes to identify ecosystems, species and genetic resources that are at imminent risk of extinction;
- Implement strong counter measures to slow down the speed with which the loss of biodiversity occurs; and
- Link biodiversity protection and economic upliftment, as biodiversity protection provides an opportunity for less formal, nature-based community initiatives to act as economic engines and job creators.

CLIMATE

There is general scientific agreement that the world is now warmer than at any time in the last 1000 years, and that the cause for this warming is due to human activities. Kannaland is at risk from projected changes in rainfall pattern and warming induced by changes in the global energy balance and atmospheric water balance.

However, the average for the five-year reporting period may be useful for simple comparative purposes against the long term average. Once a continuous ambient air quality sampling programme is in place, quarterly air quality reports which will provide useful state of environment data.

Increased drying and changes to the seasonal nature of precipitation will bring an increase in irrigation requirements which are likely to desiccate wetlands and threaten seasonal ecosystem interactions within the wetland. Such impacts are likely to further threaten the biodiversity of freshwater resources, which in turn will impair the environmental services they provide. The impact caused by climate change in terrestrial ecosystems include the detrimental effects associated with wildfires due to increased berg-wind conditions, and the possibility of changes in the distribution of alien invasive species, apart from changes in indigenous species distribution and interactions.

Numerous economic sectors could be affected by changes in temperature and precipitation patterns. The impact is likely to be felt in agriculture, fisheries, forestry, the manufacturing industry, tourism, finance and investment, transport, communication and trade, and construction. Climate change is likely to impact water services in terms of diminishing reserves on the one hand, and damage to infrastructure due to heavier precipitation events on the other.

KANNALAND FLORA

The Cape Floral Kingdom is characterized by its exceptional richness in plant species. More than 8 700 species are known to exist, with more than 68% of these being endemic. The Cape Floral Kingdom, thus, compares with some of the richest floras worldwide. It is the smallest of the Floral Kingdoms and covers a mere 0.06% of the earth's surface, and is the only Floral Kingdom contained in its entirety within a single country.

Kannaland is a region of extensive plains, arid foothills and rugged rocky ridges and includes a wide range of microhabitats with extreme seasonal and diurnal temperature fluctuations. There are 1325 plant species in this area, including 182 Succulent Karoo endemics and 92 Red List species (www.skep.org.za). While unique and rare species are found throughout the landscape, many of the endemics are concentrated along veins of weathered quartz, where patches of white pebbles provide camouflage and moderate the temperature for “stone plants”

COMPONENT F: SAFETY AND SECURITY

3.8 TRAFFIC SERVICES

Safety and security is the responsibility of the Protection Services Department of the Community Services Directorate. The Department is committed to provide a high quality community-oriented service to meet the safety and security needs of a diverse community. The Division strives to constantly improve its standing within the community it serves and the profession itself. Several awareness campaigns regarding road safety and fire protection are conducted throughout the year.

The tables below shows the highlights, service delivery levels, total employees per levels and the financial performance incurred during the year under review:

Employees: Fire Services					
Job Level	2016/2017	2017/2018			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy	0	0	0	0	
Other Fire Officers	3	3	0	3	
0 - 3	0	0	0	0	
4 - 6	2	0	0	0	
7 - 9	1	0	0	0	
10 - 12	0	0	0	0	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
--Total	3	3	0	3	

TABLE 65: EMPLOYEES: FIRE SERVICES

The Kannaland Municipality is eager to ensure a safe environment for the public, personnel and councilors. The Municipality therefore makes use of private security firms to ensure the safety of the personnel and councilors, as well as members of the public that visit municipal offices. The council chambers are under camera surveillance and specialized security forces are contracted to oversee the security during council meetings. Traffic Services also assists in this regard.

3.9 FIRE SERVICES

The firefighting services is fairly new function within the Kannaland municipal environment. The fire services function is managed by the Eden District Municipality. However, the Municipality raised at various platforms that the service be carried out by Kannaland and that the youth be trained for qualified fire fighters as well a fully equip truck to render an effective and efficient Fire and Rescue Service.

Some of the achievements were:

- Six members were identified who worked at working on fire (WOF) has been selected to undergo training to become qualified fire fighters. They received a high level of technical and administrative training to enhance their knowledge, skill and experience which will be beneficial for the community at large.
- The Fire Service embarked on a community educational drive within the informal settlement areas as well to schools to educate residents and scholars of the dangers associated with fires as well as preventative measure that could be used to prevent
- the outbreak of fires. Department of Local Government has donated a fully equipped fire truck as well uniforms were received from City of Cape Town, Knysna and George Municipality.

The tables below show the total employees per level and financial performance for the year under review:

Employees: Fire Services					
Job Level	2016/2017	2017/2018			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy	0	0	0	0	
Other Fire Officers	3	3	0	3	
0 - 3	0	0	0	0	
4 - 6	2	0	0	0	
7 - 9	1	0	0	0	
10 - 12	0	0	0	0	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	3	3	0	3	

TABLE 66: EMPLOYEES: FIRE SERVICES

3.10 DISASTER MANAGEMENT

The Municipality has a Disaster Management Plan which is an integral part of the IDP.

The establishment of a Disaster Management Centre has also been identified in terms of the Municipality's Disaster Management planning, however the Municipality does not have a functional disaster management ICT, GIS and early warning system. The Municipality is currently making use of the Disaster Management DS Tool of the Western Cape Disaster Management Centre to assist the Municipality in making informed decisions relating to Disaster Management.

As throughout the IDP is identified that water storage capacity is the main problem and has therefor prioritized the water and sanitation needs as a high and urgent matter to be attend to. During the wind storm in 2017 whereby the entire informal areas and formal areas has been affected resulted in a Joint Operational Centre that was activated.

During this fire additional Kannaland Municipality received additional fire fighting support from Oudtshoorn Municipality and the Eden District Municipality. Eden Disaster Management

together with Kannaland Disaster Management will continue to engage on measures to reduce residual risk. The procedures in general for disasters or major incidents are to activate a Joint Operation Centre, which is currently run from the municipal offices.

RISK REDUCTION MEASURES

No other risk reduction measures are in place other than proactive measures during early warnings and forecasts or progression of incidents. Preventive measures are relocating or evacuating members of communities and providing support at a local level or as assisted through the District.

A number of effective programmes have been implemented during the 2017/2018 financial year to mitigate the, which include:

- Awareness programmes to protect citizens from fires and floods;
- Regular cleaning of the storm water channels;
- Clean-up programmes of rivers and streams;
- The Fire and Rescue Services do regular awareness programmes in the communities and schools.
- Water restrictions in place

The impact prioritization for the most important risks (in order of priority) is as follows:

- Floods
- Plantation and vegetation fires
- Agricultural epidemics
- Hazardous materials transport
- Drought

Preparedness measures

- Disaster Management Advisory Forum has been established.
- Meetings/ forums / workshops (newly established Disaster Management Forum)

The tables below indicates the employees per levels, financial performance and capital expenditure for the year under review:

Employees: Disaster Management					
Job Level	2016/2017	2017/2018			
	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	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%

Job Level	Employees: Disaster Management				
	2016/2017	Posts	2017/2018		
	Employees		Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

TABLE 67: EMPLOYEES: DISASTER MANAGEMENT

COMPONENT G: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

3.11 SPORT AND RECREATION

In terms of our mandate we make facilities, such as sport fields, available to the broader community. The Municipality is responsible for development of the facilities and the upgrading thereof whilst the sport clubs leases the facilities and as agreed upon, must maintain it.

The Municipality develops and maintains community parks, halls, camp sites and the caravan park. This service places an enormous financial burden on the Municipality, with its limited staff capacity and finances. The vastness of the municipal footprint demands a duplication of all services throughout the area and poses to be a well-oiled machine due to strict adherence to planning and implementation schedules. The Sport section performed their duties excellently taking into consideration the challenges and demands they face on a continuous basis. There is a need for additional facilities but the availability of land is problematic, as well as the funds needed to develop the facilities.

Below is the highlights of the sportsfield in Calitzdorp:

- Rehabilitation of Sport Field
- Rehabilitation of Sport field, placing grass on field and an irrigation system. Rehabilitate Ablution facilities
- Resurface of netball court

- Install wooden pavilion structure



The tables below indicates the employees per levels, financial performance and capital expenditure for the year under review:

Financial Performance 2017-2018: Sport and Recreation					
Details	2016-2017 Actual	Original Budget	2017-2018		R'000
			Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	–	–	20	–	#DIV/0!
Expenditure:			–		
Employees					#DIV/0!
Repairs and					#DIV/0!
Maintenance					
Other	536	795	375	452	-76%
Total Operational Expenditure	536	795	375	452	-76%
Net Operational Expenditure	(536)	(795)	(355)	(452)	-76%

Table 68: Financial Performance 2017-2018: Sport and Recreation

Below is the capital expenditure for the year under review:

Capital Expenditure 2017-2018: Sport and Recreation					
Capital Projects	2017-2018				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	5030	5030	4645	-8%	
Calitzdorp: Sport Field	5030	5030	4645	-8%	
Project B				#DIV/0!	
Project C				#DIV/0!	
Project D				#DIV/0!	

TABLE 69: CAPITAL EXPENDITURE 2017-2018: SPORT AND RECREATION

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

3.12 EXECUTIVE AND COUNCIL

This component includes: Executive Office (Mayor; councillors; and Municipal Manager).

The Council consists of 11 councillors, including the Executive Mayor, Deputy Executive Mayor and Speaker as determined by the MEC for Local Government in the Western Cape.

It is a category B Municipality with a mayoral executive system combined with a ward participatory system as provided for in the Western Cape Determination of Types of Municipalities Act, 2000.

Executive and Council does not fall in the level category however the executive forms part of the section 57 appointments, made by Council.

The tables below indicates the financial incurred for the year under review:

Financial Performance 2017/18: The Executive and Council					
Details	R'000				
	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3 528	2 498	24 143	24 101	90%
Expenditure:					
Employees					#DIV/0!
Repairs and Maintenance					#DIV/0!
Other	13 226	6 413	7 388	9 274	31%
Total Operational Expenditure	13 226	6 413	7 388	9 274	31%
Net Operational Expenditure	(9 697)	(3 914)	16 755	14 827	126%

TABLE 70: FINANCIAL PERFORMANCE 2017/18: THE EXECUTIVE AND COUNCIL -

3.13 FINANCIAL SERVICES

Sound financial management practises are essential for municipalities. The major challenge for municipalities is long term financial sustainability. The MFMA aims at directing municipalities in a sustainable financial environment and to modernise financial management practices.

The act places municipalities on a financially sustainable footing and supports co-operative government between all spheres of government. Successful implementation of the provisions of the act will maximise the capacity of municipalities to deliver services to their residents, users and customers.

It is critical for the Municipality to review how we conduct our business to ensure that value for money is obtained in all our expenditures, that revenue administration systems are operating effectively, and that creditors (including bulk service providers) continue to be paid timeously and in full.

Financial Performance 2017/18: Financial Services

Details		2017/18				R'000
		2016/17				
		Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		54 841	5 536	7 382	7 144	23%
Expenditure:						
Employees						#DIV/0!
Repairs and Maintenance						#DIV/0!
Other		18 432	16 528	20 380	21 002	21%
Total Operational Expenditure		18 432	16 528	20 380	21 002	21%
Net Operational Expenditure		36 409	(10 992)	(12 997)	(13 859)	21%

TABLE 71: FINANCIAL PERFORMANCE 2017/18: FINANCIAL SERVICES

3.14 HUMAN RESOURCE SERVICES

The broader objectives of the Human Resource Services division of the Municipality is to ensure that:

- The appropriate staff members are recruited and appointed
- Staff members are optimally placed in relation to the needs of the organisation
- An environment is created conducive of staff performing their functions in line with their knowledge, experience and skills
- Staff members are adequately compensated and that their vested interests and benefits are professionally administered
- Staff members are allowed the opportunity to develop and be promoted in a physical environment that is free from safety, health and psychological hazards
- An organisational design is implemented that promotes productivity and sustains high levels of morale and ethical behaviour
- A culture of discipline, equality, transparency and fairness is promoted in the workplace
- The organisation is free from all forms of discrimination and prejudice

In order to achieve these broader objectives, the Human Resource Services is organized in a manner to respond to the following functions:

- Organisational efficiency and improvement
- Staffing in relation to recruitment, selection and appointments
- Administration of employee benefits
- Skills development and training
- Occupational health and safety
- Labour relations
- Employee wellness (EAP)
- Performance management
- Employment equity
- Change Management

- Statistics and Reporting

The organisational structure have been reviewed during July 2017 to ensure alignment with the municipal strategic objectives (IDP) to ensure compliance and effective and efficient service delivery. The objective with the review of the organisational structure is to improve revenue collection and a flatter management structure for faster decision making.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

The organisational structure of Kannaland Municipality for the Municipal Manager and three directorates namely, Corporate Services (Administration and Community Services), Finance and Technical Services. The Technical Services department currently reports directly to the Municipal Manager as the position of Director: Technical Services has been vacant for the entire 2017/18 financial year and remains vacant as a cost-cutting measure. Some of the officials lacks interpersonal skills, capacity, the required qualifications and experience to fill critical position.

The vacancies for senior managers were advertised in February 2018 and the Municipal Manager was appointed on 1 June 2018. The CFO refused the offer of a 3 month contract and left the services of the Municipality on 30 April 2018 where after he declared a dispute that has not been settled by the end of the year under review.

The current organizational structure for the Kannaland Municipality has been approved by Council on 7 July 2017. The organizational structure is currently being reviewed to effect savings on the personnel budget. The organizational structure is currently being revised for the best service delivery at the lowest cost to the Municipality. Job descriptions are being reviewed based on job content and volume in the attempt to form specialist units.

As at 30 June 2018 118 permanent employees (in comparison to the 243 employees at 30 June 2017), of which 2 are Section 57 employees, 72 permanent, 53 contract employees and 1 intern. Kannaland Municipality is a rural Municipality and has a diverse staff complement, which poses challenges for effective transformation of its equity profile across all skills and managerial levels. Priority is given to existing staff to accelerate transformation of Kannaland Municipality's racial profile especially at senior level.

The Municipality embarked on a process to revise the unaffordable organizational structure which was approved in July 2017. In terms of the new organogram the number of vacancies were reduced to 46. Contracts of temporary employees were not renewed which effected savings in the amount of R2 007 661,51. The turn-over rate for 2016/17 was 11% and in 2017/18 amounted to 18%.

It is the Municipality's aim to 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. Please refer to the organizational development highlights and challenges described in Chapter 1.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees				
Description	Year 2017-2018			
	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	%
Water	19	8	11	
Waste Water (Sanitation)	13	9	4	
Electricity	16	13	3	
Waste Management	21	9	12	
Housing	5	4	1	
Waste Water (Stormwater Drainage)	7	6	1	
Roads	5	5	–	
Transport	–	–	–	
Planning	–	–	–	
Local Economic Development	7	4	3	
Planning (Strategic & Regulatory)	–	–	–	
Local Economic Development	1	–	1	
Community & Social Services	18	12	6	
Environmental Protection	0			
Health	6	2	4	
Security and Safety	–	–	–	
Sport and Recreation	–	–	–	
Corporate Policy Offices and Other	–	–	–	
Totals				

TABLE 72: NUMBER OF EMPLOYEES

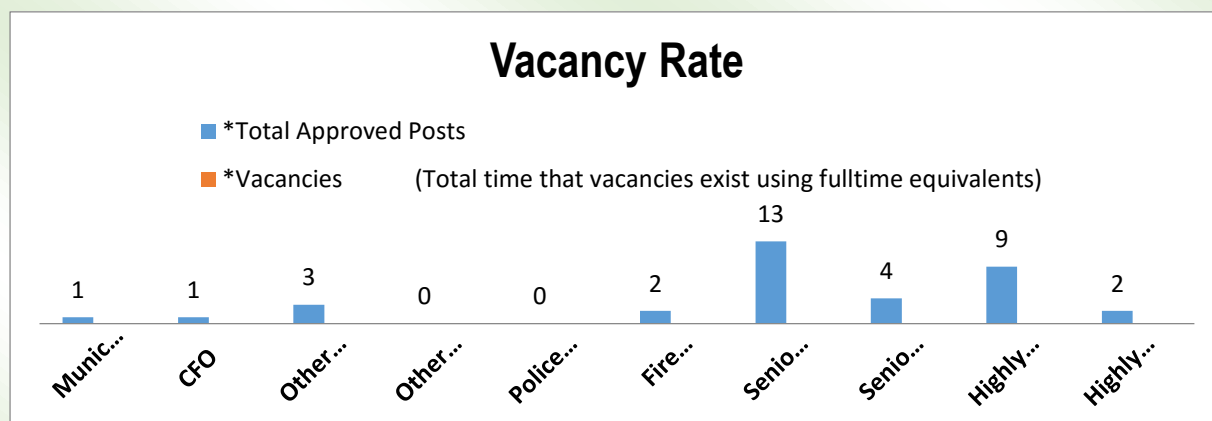


FIGURE 8: VACANCY RATE

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2015/16	14	14	9%
2016/17	6	9	11%
2017/18	65	2	18%

TABLE 73: TURNOVER RATE

The section 57 positions have not been filled due to financial constraints and the reduction in expenditure in terms of the Financial Recovery Plan. The Director: Technical Services has been vacant for the entire 2017/18 financial year. The Director: Corporate Services position was also vacant for 2017/18 due to the suspension of the incumbent and resignation at the end of March 2018. No internal personnel has the required competencies and experience required by the applicable Regulations.

The vacancies for Director: Technical Services and Director: Financial Services have been advertised and interviews were held at the end of 2018. Recommendation for appointment have been submitted to Council.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

The Municipal Systems Act, 32 of 2000, Section 67, requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective and transparent personnel administration in accordance with the Employment Equity Act 1998.

The Kannaland Municipal Council established the Kannaland Disciplinary Board for financial misconduct on 7 December 2017. Due to the fact that the Disciplinary Board was not constituted in terms of the Regulations, Council re-established the Disciplinary Board on 31 October 2018.

The purpose of the Disciplinary Board is restricted to alleged offences of financial misconduct related to municipal officials as per sections 171 (financial misconduct by municipal officials of a Municipality) and 172 (financial misconduct by officials of municipal entities) of the Municipal Financial Management Act, 2003 (Act 56 of 2003), and has no jurisdiction to address any allegation relating to offences in terms of section 173 of the Act (criminal proceedings). Roles and functions are derived from the Municipal Financial Management Act (sections 171 and 172) and the MFMA Regulations on Financial Misconduct Procedures and Criminal Processes, 2014.

Council as a whole is the legislative body and delegates some of this authority to the committees established in terms of section 79 of the Local Government: Municipal Structures Act. The Disciplinary Board is established in terms of Section 79 of said Act.

The scope for the Municipal Public Accounts Committee's activities also encompass, amongst other, issues relating to recommendations on unauthorised, irregular, fruitless and wasteful expenditure as well as performance, within the delegation framework of the Municipal Council .

The Municipal Systems Act (Section 59 (1)) prescribes that a Municipal Council must develop a system of delegation that will maximise administrative and operational efficiency and provide for adequate checks and balances. The prudent use of this system allows municipalities to separate council powers between executive (the Executive and Mayoral Committee for example) and legislative authority (Council as delegated to the Disciplinary Board, other committees and officials) in terms of a set of delegations approved by Council. The current set of delegations was approved by Council in 2016.

Managing the municipal workforce is not only the duty of the Human Resources section and every manager in Kannaland Municipality is responsible for managing of his/her own line function in an integrated manner.

Kannaland Municipality unfortunately is being hampered by a negative organizational culture that leads to low productivity and poor discipline in general. The negative culture results in unnecessary conflict, high absenteeism and staff turn-over. For that reason consistent and stronger disciplinary measures have been applied to reduce absenteeism and increase productivity. Due to the high cost of personnel turn-over, reactive or negative discipline is not an option. Progressive and consistent discipline have therefore been implemented in the 2017/18 financial year.

An indication of the charges against officials is reflected in the figure below:

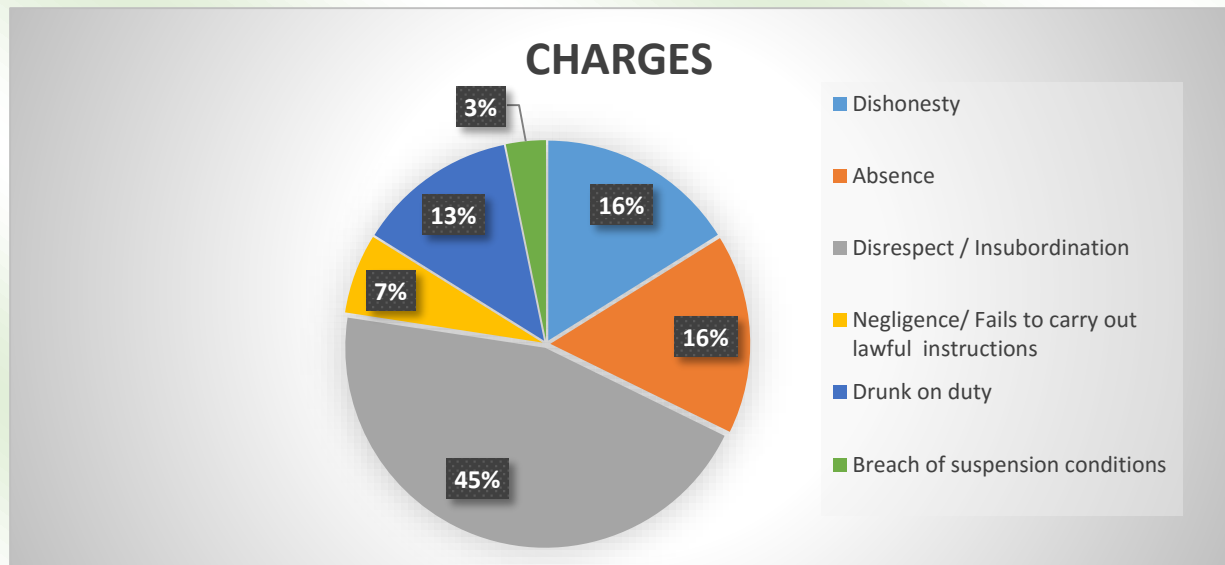


FIGURE 9: NUMBER OF CHARGES

For the year under review, 12 officials have been suspended for poor discipline of which 2 were for financial misconduct. Insubordination is high and causes conflict and low morale.

A total of 88 disputes out of 111 disputes that were registered, were outstanding on 30 June 2018. The reasons for the disputes are reflected in the figure below:

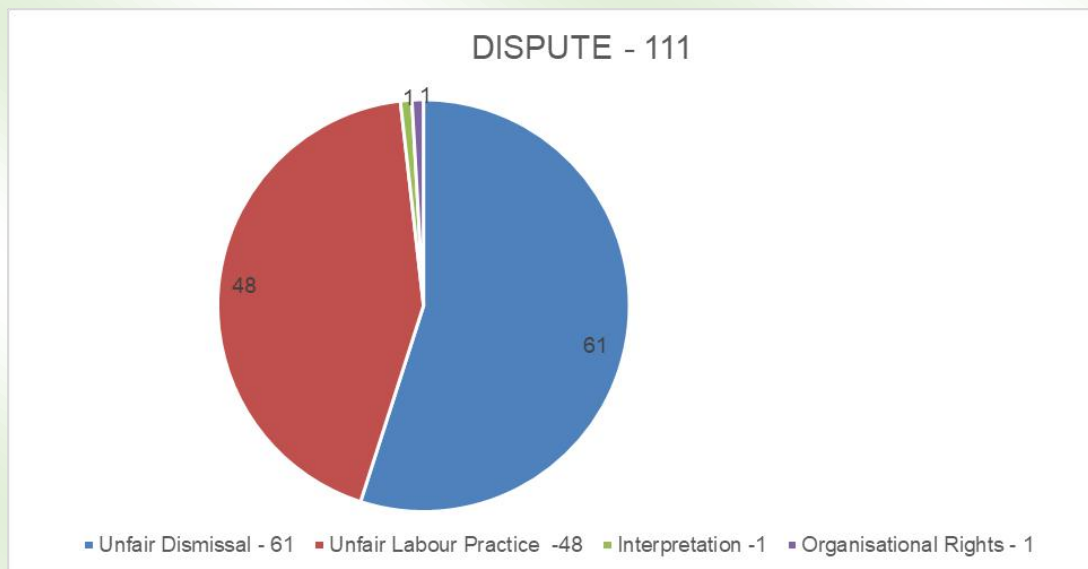


FIGURE 10: NUMBER OF DISPUTES

4.2 POLICIES

The followings policies have been adopted and are in force:

POLICIES			
Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
Attraction and Retention	YES		October 2011
Code of Conduct for employees	YES		Use BCE-act & regulations & Systems Act Code
Delegations, Authorisation & Responsibility	YES		
Disciplinary Code and Procedures	YES		Use SALGBC agreements
Essential Services	YES		
Employee Assistance / Wellness	NO		
Employment Equity	NO		
Grievance Procedures	NO		Use SALGBC agreements
HIV/Aids	YES		Feb 2008
Human Resource and Development	NO		
Information Technology	YES	CURRENTLY IN THE PROCESS	July 2005
Job Evaluation	NO		
Leave	YES		Feb 2008
Occupational Health and Safety	YES		9 Sept 2008
Official Journeys (S & T)	YES	October 2013	19-Mar-12
Official Working Hours and Overtime	YES		19-Dec-12
Organisational Rights	YES		
Payroll Deductions	YES		
Performance Management and Development	YES		
Recruitment, Selection and Appointments	YES		27-Oct-11
Remuneration Scales and Allowances	YES		
Skills Development	YES		Jan 2008
Special Skills (Scarce Skills)	YES		Oct 2011
Long Service Recognition	YES		9-Sep-08
Acting Allowance	YES		19-Dec-12
Standby Allowance	YES		9-Sep-08
Nepotism	YES		9-Sep-08
Demotion, Promotion & Transfer	YES		9-Sep-08
Personnel Production: Performance Recognition	YES		9-Sep-08
Whistle-blowers	YES		9-Sep-08
Alcohol & Substance Abuse	YES		9-Sep-08
Cellphone Users Scheme	YES		9-Sep-08

POLICIES			
Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
Car-allowances Scheme	YES		29-Jan-09
Legal Representative	YES		21-Oct-11
Study-loan Scheme	YES		19-Dec-11
Cellphone Users Scheme for Officials	YES		13-Jan-12
Retention of Staff	YES		27-Oct-11
Access of Information	YES		18-Nov-11
Anti-Fraud & Corruption Strategy and Prevention	YES		12-Nov-13

TABLE 74 - HR POLICIES AND PLANS

All policies will be reviewed in 2018/2019.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty		
Type of injury	Injury Leave Taken	Employees using injury leave
	Days	No.
Required basic medical attention only		11
Temporary total disablement		1
Permanent disablement	0	2
Fatal	0	1
Total	0	15

TABLE 75: NUMBER AND COST OF INJURIES ON DUTY

The Municipality has an employee assistance programme to visit employees who are hospitalized for long periods due to illness or injuries and to assist them with procedures to be boarded or whatever they need assistance with.

The Occupational Health and Safety structures are being strengthened to reduce occupational injuries.

DISCIPLINE

The list below is incomplete and will be completed for the resubmission of the draft Annual Report.

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
MANAGER HR	GROSS MISCONDUCT	30.10.2016	RESIGNED BEFORE HEARING	23.03.2018
BUYER: SCM	ALLEDGED CORRUPTION	03.08.2017	DISSMISSED AFTER HEARING	09.04.2018
MANAGER MANAGEMENT ARTISAN	WASTE ALLEDGED CORRUPTION	03.08.2017	DISSMISSED AFTER HEARING	19.06.2018
ADMIN CLERK	GROSS MISCONDUCT	03.08.2018	DISSMISSED AFTER HEARING	03.08.2018
	ALLEDGED CORRUPTION	30.11.2017	DISSMISSED AFTER HEARING	05.04.2018

TABLE 76: NUMBER AND PERIOD OF SUSPENSIONS

The extended periods of suspension can be ascribed to the complex nature of the cases.

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
MANAGER HR	Fruitless expenditure	Was charged, but resigned before hearing	23.03.2018
BUYER:SCM	Alledged corruption	Was charged, was dismissed	09.04.2018
MANAGER MANAGEMENT	WASTE Alledged corruption	Was found guilty after disciplinary hearing	03.08.2017
ADMIN CLERK	Alledged fraud and gross misconduct	Was dismissed after disciplinary hearing	05.04.2018

TABLE 77: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT

Two officials were suspended due to financial misconduct. All incidents of irregular, unauthorized, fruitless and wasteful expenditure are receiving attention of the Disciplinary Board and MPAC.

As result of various charges on allegations of misconduct, the general discipline in the workplace has improved during the year under review. The status quo can be improved even more with awareness campaigns and training.

4.4 PERFORMANCE REWARDS

The performance management system has not yet been developed to include other officials than the section 56 and 57 senior managers. For the 2017/18 financial year no performance evaluations were performed and no performance rewards were paid.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68 of the Local Government: Municipal Systems Act requires from the Municipality to develop the workforce capacity to a level that enables them to perform their functions and exercise their posers in an economical, effective, efficient and accountable way in accordance with the Employment Equity Act, 1998.

Challenges experienced regarding training of officials:

1. As part of a training audit to identify employees' needs for training, they had to complete a questionnaire and submit the document to the Human Resources office. The interest that the employees took into this exercise was disappointing; and
2. Funding for training remains a challenge. LGSETA do not allocate funding to Kannaland Municipality for Municipal Minimum Competency training due to the fact that a MMC course had been stopped due to the fact that the beneficiaries on course were not from the target group for MMC training. It is of critical importance that the financial and other personnel who are required to comply with MMC Regulations, be trained as a matter of urgency. The programme for the capacitation of financial interns will be utilized to train the finance department staff.

The Workplace Skills Plan is in place and has been approved. The following courses were presented in 2017/18:

COURSE	NUMBER OF OFFICIALS
Municipal Minimum Competency	1
Disaster and Risk Management	5
Middle Management	2
Occupational Directed Education and Development Programme	2
Disciplinary and Initiators Course	15
Dealing with new trade unions	1
LLF training	15
TOTAL	41

TABLE 78: COURSES THAT WERE PRESENTED IN 2017/18

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2018	Number of skilled employees required and actual as at 30 June 2018											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: 30 6 2017	Actual: 30 6 2018	2017/18 Target	Actual: 30 6 2017	Actual: 30 6 2018	2017/18 Target	Actual: 30 6 2017	Actual: 30 6 2018	2017/18 Target	Actual: 30 6 2017	Actual: 30 6 2018	2017/18 Target
MM and s57	Female		5						0	1			1	
	Male		5						1	2		1	2	
Councillors, senior officials and managers	Female		2						3	3		3	3	
	Male		3						4	4		4	4	
Technicians and associate professionals*	Female		4						2	2		2	2	
	Male		8						8	9		8	9	
Professionals	Female		8						6	6		6	6	
	Male		6						2	2		2	2	
Sub total	Female		19						11	12		11	12	
	Male		22						15	17		15	17	
Total		0	82	0	0	0	0	0	0	52	58	0	52	58

TABLE 79: SKILLS MATRIX

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	1	1	1
Chief financial officer	1	0	1	1	1	1
Senior managers	4	0	4	1	0	0
	56	0	56	0	0	0
Any other financial officials						
Heads of supply chain management units	1	0	1	0	0	0
Supply chain management senior managers	0	0		0	0	0
TOTAL	63	0	63	3	2	2

TABLE 80: FINANCIAL COMPETENCY DEVELOPMENT: PROGRESS REPORT

Skills Development Expenditure										
R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female									
	Male	2								
Legislators, senior officials and managers	Female	7								
	Male	12								
Professionals	Female	0								
	Male	0								
Technicians and associate professionals	Female	1								
	Male	1								
Clerks	Female	12								

Skills Development Expenditure									
									R'000
	Male	3	-						
Service and sales workers	Female								
	Male								
Plant and machine operators and assemblers	Female								
	Male								
Elementary occupations	Female								
	Male								
Sub total	Female	20							
	Male	18							
Total		38	0	0	0	0	0	0	

TABLE 81: SKILLS DEVELOPMENT EXPENDITURE

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6 EMPLOYEE EXPENDITURE



Source: MBRR SA22

T 4.6.1

TABLE 82: EMPLOYEE EXPENDITURE

No employees' salaries were increased due to their positions being upgraded and no employees' salary levels exceeded the grade determined by job evaluation.

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled (Levels 6-8)	Female	3
	Male	2
Highly skilled supervision (Levels 9-12)	Female	0
	Male	0
Senior management (Levels 13-16)	Female	3
	Male	0
MM and S 57	Female	0
	Male	0
Total		8

TABLE 83: NUMBER OF EMPLOYEES WHO'S SALARIES WERE INCREASED DUE TO THEIR POSITIONS BEING UPGRADED

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
FINANCE		1-Jun-18	4	DUE TO INSTRUCTIONS FROM TREASURY

TABLE 84: EMPLOYEES APPOINTED TO POSTS NOT APPROVED

DISCLOSURES OF FINANCIAL INTERESTS

Please refer to disclosures made by officials and councillors concerning their financial interests as required by the Performance Management Regulations 805 of 2006 set out table below:

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	M. Barry	None
Member of MayCo / Exco		
Deputy Mayor	P. Antonie	None
Councillor		
Speaker	A. Theron	None
Ward 1 Councillor	J.Donson	None
Ward 3 Councillor	W. Meshoa	None
PR Councillor DA	J.Johnsn	None
PR Councillor ICOSA	H. Ruiters	None
Municipal Manager	R. Stevens	10 Sasol shares
Chief Financial Officer	B. Strydom	None
Deputy MM and (Executive) Directors		
Acting CFO	K. Cooper	None
Director Corporate Services	H. Barnard	None
Other S57 Officials	None	None

TABLE 85: DISCLOSURES OF FINANCIAL INTERESTS

CHAPTER 5 – FINANCIAL PERFORMANCE

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

In terms of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA), section 126(1)(a), the accounting officer must prepare the annual financial statements of the Municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

According to section 133(1)(a) of the MFMA, the mayor must promptly table in the council a written explanation setting out the reasons for the failure if the accounting officer fails to submit financial statements to the Auditor-General in accordance with section 126(1) of the MFMA.

The reasons for the delay in submitting the annual financial statements to the Auditor-General for auditing, as contemplated in section 126(1)(a) of the MFMA can be ascribed to the following:

Governance challenges

The Municipality has been facing significant governance challenges due to ongoing leadership instability, including long-standing key vacancies in the finance department. The instability in leadership did not facilitate effective monitoring and oversight of actions to enable the timely preparation of the financial statements and as a result, there was no clear ownership to follow through on several improvement interventions.

Skills and capacity challenges

All staff in the finance section have not achieved their prescribed minimum competency levels, due to a lack of funding and planning and, consequently, do not have the requisite skills and experience to ensure compliance with the financial reporting requirements of the Standards of GRAP.

The continued instability in the chief financial officer position, coupled with an unstable financial accounting system and ineffective human resource management practices, have contributed to the poor implementation of internal controls over accurate and complete financial information. As a result, basic daily and monthly controls were not embedded in the Municipality's processes

to ensure proper record keeping, timely, accurate and complete processing of transactions, reconciliation of transactions and regular monitoring of compliance with relevant legislation.

System challenges

The Municipality has experienced challenges with the implementation of mSCOA, which impacted negatively on the implementation of basic financial management discipline and adherence to good internal control, as well as the production of reliable financial information for in-year monitoring purposes. Although the Municipality has made progress with the implementation of mSCOA, it fell short of achieving all the required milestones due to the following reasons, among other:

1. The Municipality experienced capacity and skills challenges, including severe funding constraints to manage the mSCOA implementation process.
2. The apparent inability of the existing accounting and information system to accommodate the technical specifications set in the mSCOA, negatively affected the finalisation of data migration and mapping processes.
3. The Municipality maintained the mSCOA database and general ledger on a stand-alone laptop computer, due to funding constraints. The laptop was stolen in August 2017 and it has taken a considerable amount of time for the Municipality and the service provider responsible for mSCOA implementation to rebuild the database.
4. The Municipality is still experiencing significant implementation challenges, because of ongoing segmentation errors and system set-up issues, which affect the recording of and reporting on transactions, including the loading and management of the annual and adjustment budgets. The effect of the ongoing data errors include the following:
 - The Municipality was not able to accurately record transactions on the accounting system;
 - The accounting system did not produce reliable budget reports;
 - Reconciliations of various accounts could not be performed, because of data errors; and
 - In-year management of accounts and reporting could not be done reliably due to data errors.
5. The appointed service provider did not always prioritise the implementation of mSCOA at Kannaland, because of the Municipality's inability to pay the outstanding account and for current services owing to severe cash flow constraints.

Following the above-mentioned reasons, the Municipality has not been able to produce annual financial statements on time, as contemplated in section 126(1)(a) of the MFMA.

The matter has been reported to Council on 30 August 2018 and Council noted that extension for submission of the Annual Financial Statements was requested.

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5.1 STATEMENT OF FINANCIAL PERFORMANCE

The financial performance of Kannaland Municipality for the 2017/18 financial year is summarized in the Statement of Performance:

Reconciliation of Table A1 Budget Summary															
Description	2017/18											2016/17			
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the	Virement (i.t.o. Council approved	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	15 956	47	16 003			16 003	17 244								14 900
Service charges	69 258	(3 868)	65 390			65 390	68 729								65 531
Investment revenue	600	(250)	350			350	508								845
Transfers recognised- operational	32 310	8 758	41 067			41 067	38 303								46 332
Other own revenue	12 213	(259)	11 954			11 954	12 942								15 609
Total Revenue (excluding capital transfers and contributions)	130 337	4 427	134 764			134 764	137 725								143 217

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Reconciliation of Table A1 Budget Summary

Description	2017/18											2016/17			
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved section 32 of MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Employee costs	45 190	2 295	47 485			47 485	47 694								47 843
Remuneration of councillors	3 056	(128)	2 928			2 928	2 975								2 613
Debt impairment	14 475	–	14 475			14 475	27 474								
Depreciation & asset impairment	10 549	1 032	11 581			11 581	12 419								12 686
Finance charges	800	–	800			800	3 499								3 174
Materials and bulk purchases	30 964	(1 420)	29 544			29 544	32 581								26 558
Transfers and grants			–			–	304								502
Other expenditure	21 277	8 388	29 665			29 665	27 817								35 247
Total Expenditure	126 312	10 166	136 478			136 478	154 763								128 623
Surplus/(Deficit)	4 025	(5 739)	(1 714)			(1 714)	(17 037)								14 594
Transfers recognised - capital	30 801	(9 149)	21 652			21 652	20 479								22 963

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Reconciliation of Table A1 Budget Summary

Description	2017/18											2016/17			
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the Virement (i.t.o. Council approved		Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Contributions recognised - capital & contributed assets			-			-									
Surplus/(Deficit) after capital transfers & contributions	34 825	(14 888)	19 938			19 938	3 442								37 557
Share of surplus/ (deficit) of associate			-			-									
Surplus/(Deficit) for the year	34 825	(14 888)	19 938			19 938	3 442								37 557
<u>Capital expenditure & funds sources</u>															
Capital expenditure															
Transfers recognised - capital	30 801	(9 149)	21 652			21 652									
Public contributions & donations			-			-									
Borrowing			-			-									
Internally generated funds			-			-									

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Reconciliation of Table A1 Budget Summary															
Description	2017/18											2016/17			
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the Virement (i.t.o. Council approved		Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Total sources of capital funds															
Cash flows															
Net cash from (used) operating	34 825	(7 651)	27 174			27 174	18 260								22 496
Net cash from (used) investing	(30 801)	(9 149)	(39 950)			(39 950)	(16 499)								(23 083)
Net cash from (used) financing			–			–	(493)								(1 408)
Cash/cash equivalents at the year end	4 025	(16 800)	(12 776)				1 268								(1 995)

TABLE 86: STATEMENT OF FINANCIAL PERFORMANCE

5.2 GRANTS

Grant Performance						
R' 000						
Description	2016/17	2017/18		2017/18		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<u>Operating Transfers and Grants</u>						
National Government:	–	–	–	7 608		
Equitable share						
Municipal Systems Improvement						
Financial Management Support Grant				1 760		
Financial Management Grant				2 215		
Library Grant				2 070		
Municipal Infrastructure Grant PMU				508		
Extended Public Works Programme				1 055		
Provincial Government:	–	–	–	2 069		
Health subsidy						
Housing				2 069		
Ambulance subsidy						
Sports and Recreation						
Other transfers/grants [insert description]						
Other grant providers:	–	–	–	–		
[insert description]						
Total Operating Transfers and Grants	–	–	–	9 677		

TABLE 87: GRANTS

No grants were received from other sources than the DORA

Below is the operation expenditure for the year under review:

Financial Performance of Operational Services						
R '000						
Description	2016/17	2017/18		2017/18 Variance		
	Actual	Original Budget	Adjustment s Budget	Actual	Original Budget	Adjustment s Budget
<u>Operating Cost</u>						
Water		14 485	13 858	16 929	14,44%	18,14%
Waste Water (Sanitation)			8 493	13 206	100,00 %	35,69%
Electricity		57 608	35 690	39 496	- 45,86%	9,64%
Waste Management		25 426	6 203	13 596	- 87,01%	54,38%
Housing			3 058	7 037	100,00 %	56,54%
Component A: sub-total	-	97 519	67 302	90 263	-8,04%	25,44%
Waste Water (Stormwater Drainage)					#DIV/0!	#DIV/0!
Roads			8 617	7 947	100,00 %	-8,43%
Transport					#DIV/0!	#DIV/0!
Component B: sub-total	-	-	8 617	7 947	100,00 %	-8,43%
Planning					#DIV/0!	#DIV/0!
Local Economic Development					#DIV/0!	#DIV/0!
Component B: sub-total	-	-	-	-	#DIV/0!	#DIV/0!
Planning (Strategic & Regulatory)					#DIV/0!	#DIV/0!
Local Economic Development					#DIV/0!	#DIV/0!
Component C: sub-total	-	-	-	-	#DIV/0!	#DIV/0!
Community & Social Services			3 252	1 525	100,00 %	-113,23%
Enviromental Protection					#DIV/0!	#DIV/0!
Health					#DIV/0!	#DIV/0!
Security and Safety					#DIV/0!	#DIV/0!
Sport and Recreation			375	452	100,00 %	16,99%
Corporate Policy Offices and Other					#DIV/0!	#DIV/0!
Component D: sub-total	-	-	3 627	1 977	100,00 %	-83,47%
Total Expenditure	-	97 519	79 546	100 187	2,66%	20,60%

TABLE 88: FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

5.3 ASSET MANAGEMENT

Progress have been made with the Asset Management function of Kannaland Municipality. Mubesko is currently assisting with an asset verification. One of the major challenges is capturing asset data from the past.

In 2016/17 the complete moveable asset count commenced. This included visiting all possible sites where assets can be allocated, and listing all assets, updating asset positions, custodian rooms as well as giving them a condition rating.

This process was made easier by using the programmed tablet issued by Mubesko. After this process we were able to extract a listing with missing items that we investigated, and then removed from the register.

The verification and registration of other asset classes continued in 2017/18 with the intention to have a complete asset register at the end of the 2017/18. The complete verification of Land and Buildings as well as Investment Properties was completed during the 2017/18 financial year. This also included the condition rating and impairment testing of these assets. The infrastructure verification will pose the greatest challenge. A complete verification of infrastructure has to be done by engineers at high cost. Depending on the availability of funds this process might have to be done over more than 1 financial year.

Challenges relating to Asset Management:

We are way understaffed, we currently have only one acting accountant and one intern in this department. This makes it impossible to function effectively. Fleet management was also added to the asset management department and is also managed by the acting accountant. Lack of Asset Management System, we are currently still making use of an excel register which only allows annual update of the FAR, which makes us dependant on consultants.

Lack of a store room, we currently have no space for the storage of assets.

Co-operation by staff is poor. They still believe that they carry no responsibility towards the management of the assets assigned to them and that the responsibility remains with the asset management unit.

The availability of financial and technical information regarding projects that was done is still a huge challenge. We are still struggling to obtain the correct information in the required format to do the unbundling of projects efficiently. The problems with the Financial System as well as how it is being used, also contribute to the difficulty regarding the data needed for the unbundling.

Availability of staff to do quarterly sample verifications, due to the lack of staff in the department, is difficult. Without sufficient staff it is impossible to implement the basic policies and procedures required to manage the assets efficiently and effectively.

Despite numerous challenges and shortages in the Asset Management section, the most pressing challenge is to attain a fully complete asset register.

This is a process that takes time as well as financial resources to be fully functional and compliant. The Municipality has an asset management plan which produces a credible asset verification register with GIS mapping.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2017/18				
Asset 1				
Name	Upgrading of Sportsfield in Calitzdorp			
Description	Upgrading of Sportsfield in Calitzdorp			
Asset Type	Community Assets			
Key Staff Involved	Danielle Koert			
Staff Responsibilities	Project Manager			
Asset Value	2014/15	2015/16	2016/17	2017/18
				4 193 589,16
Capital Implications				
Future Purpose of Asset	To provide sporting facilities to the Community.			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy			
Asset 2				
Name	Bulk Upgrading of Ladismith Substations			
Description	Upgrading of the Main Electrical Substation at Ladismith			
Asset Type	Electricity Infrastructure			
Key Staff Involved	Thomas Janse van Vuuren			
Staff Responsibilities				
Asset Value	2014/15	2015/16	2016/17	2017/18
				5 756 907,10
Capital Implications				
Future Purpose of Asset	To provide adequate electricity to the Community.			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy			
Asset 3				
Name	Zoar Water Reticulation Upgrade			
Description	Upgrade of the Water Treatment works at Zoar			
Asset Type	Water Infrastructure			
Key Staff Involved	Danielle Koert			
Staff Responsibilities				
Asset Value	2014/15	2015/16	2016/17	2017/18
				1 777 120,60
Capital Implications				
Future Purpose of Asset	To provide better quality water to the community			

Describe Key Issues

Policies in Place to Manage Asset

Asset Management Policy

TABLE 89: TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2017/18

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditure and surpluses. Component B deals with capital spending indicating where the funding comes from and whether the Municipality is able to spend the available funding as planned.

SPENDING AGAINST CAPITAL BUDGET						
R million	Original Budget	Adjustment Budget	Un-audited Year Total	Full	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	308	22	20		93,4%	5,4%
Operating Expenditure	982	986	987		-0,5%	-0,1%
Total expenditure	–	–	–			
Water and sanitation	69	70	70		-1,1%	0,4%
Electricity	47	48	48		-0,7%	0,0%
Housing	5	5	5		-3,5%	0,0%
Roads, Pavements, Bridges and storm water	16	14	14		15,3%	5,5%
Other	6	6	6		4,0%	0,0%
External Loans	30	31	31		-3,3%	0,0%
Internal contributions	42	34	34		19,9%	0,0%
Grants and subsidies	66	76	76		-14,9%	0,0%
Other	–	–				
External Loans	35	35	35		0,0%	0,0%

SPENDING AGAINST CAPITAL BUDGET

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Grants and subsidies	162	162	162	0,0%	0,0%
Investments Redeemed	30	48	48	- 59,9%	0,0%
Statutory Receipts (including VAT)	85	87	88	-4,1%	-1,3%
Other Receipts	870	856	858	1,3%	-0,2%
Salaries, wages and allowances	313	311	311	0,8%	0,0%
Cash and creditor payments	550	527	532	3,4%	-0,8%
Capital payments	102	142	141	- 38,1%	0,7%
Investments made	–	54	43		20,8%
External loans repaid	56	64	64	- 14,6%	0,2%
Statutory Payments (including VAT)	93	92	92	1,7%	0,1%
Other payments	–	8	1		89,9%
Property rates	164	164	164	-0,3%	-0,1%
Service charges	604	604	604	-0,1%	0,0%
Other own revenue	214	215	215	-0,5%	0,0%
Employee related costs	303	300	301	0,6%	-0,1%
Provision for working capital	–	–	–		
Repairs and maintenance	51	52	52	-2,3%	-0,1%
Bulk purchases	291	293	293	-0,9%	0,0%
Other expenditure	338	340	340	-0,8%	-0,2%
Service charges: Electricity	314	322	324	-2,9%	-0,3%

SPENDING AGAINST CAPITAL BUDGET						
R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance	
Grants & subsidies: Electricity	7	11	12	- 75,7%	-11,9%	
Other revenue: Electricity	22	22	22	-2,5%	-0,2%	
Employee related costs: Electricity	13	13	13	3,7%	1,5%	
Provision for working capital: Electricity	-	-	-			
Repairs and maintenance: Electricity	17	19	19	- 17,0%	0,4%	
Bulk purchases: Electricity	179	184	184	-3,0%	0,0%	
Other expenditure: Electricity	34	50	51	- 51,7%	-2,7%	
Service charges: Water	138	139	140	-1,9%	-0,9%	
Grants & subsidies: Water	27	26	26	7,1%	0,0%	
Other revenue: Water	12	14	14	- 21,0%	-0,9%	
Employee related costs: Water	13	14	14	-4,1%	0,1%	
Provision for working capital: Water	-	-	-			
Repairs and maintenance: Water	9	9	9	- 10,2%	-0,7%	
Bulk purchases: Water	86	88	89	-3,2%	-0,2%	
Other expenditure: Water	49	45	45	8,2%	0,2%	

TABLE 90: SPENDING AGAINST CAPITAL BUDGET

5.6 CAPITAL EXPENDITURE OF THE 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*		
R' 000		
Name of Project	Current: 2017/18	Variance: 201/18

	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Calitzdorp Bergsig sport field	5 030	5 030	4 645	8%	0%
Zoar Upgrade of internal Gravel Roads	2 413	2 413	2 028	16%	0%
Zoar Water Reticulation Upgrade	2 177	2 177	1 792	18%	0%
Drought Relief	3 800	3 800	3 515	7%	0%
Ladismith Substation Ineg	8 000	8 000	8 000	0%	0%

TABLE 91: CAPITAL SPENDING ON 5 LARGEST PROJECTS

There were no expenditure on Service backlogs for the year under review

5.7 CAPITAL EXPENDITURE OTHER FUNDING SOURCES

Capital Expenditure - Funding Sources: 2015/16 to 2017/18							
R' 000							
Details	Item	2016/17	2017/18				
		Actual	Original Budget (OB)	Adjustm. Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance							
	External loans	3542	5500	5520	5511	0,36%	0,20%
	Public contributions and donations	248	300	390	421	30,00%	40,33%
	Grants and subsidies	3451	3700	3700	3856	0,00%	4,22%
	Other	2451	4500	4600	4565	2,22%	1,44%
Total		9692	14000	14210	14353	32,59%	46,19%
Percentage of finance							
	External loans	36,5%	39,3%	38,8%	38,4%	1,1%	0,4%
	Public contributions and donations	2,6%	2,1%	2,7%	2,9%	92,1%	87,3%
	Grants and subsidies	35,6%	26,4%	26,0%	26,9%	0,0%	9,1%
	Other	25,3%	32,1%	32,4%	31,8%	6,8%	3,1%
Capital expenditure							
	Water and sanitation	1845	4300	4250	4256	-1,16%	-1,02%
	Electricity	1562	2400	2480	2453	3,33%	2,21%
	Housing	1243	2700	2800	2685	3,70%	-0,56%
	Roads and storm water	1352	1500	1400	1486	-6,67%	-0,93%
	Other	3690	3500	3450	3473	-1,43%	-0,77%
Total		9692	14400	14380	14353	-2,22%	-1,08%
Percentage of expenditure							
	Water and sanitation	19,0%	29,9%	29,6%	29,7%	52,4%	95,2%
	Electricity	16,1%	16,7%	17,2%	17,1%	-150,1%	-205,4%

Capital Expenditure - Funding Sources: 2015/16 to 2017/18							
R' 000							
Details	Item	2016/17	2017/18				
		Actual	Original Budget (OB)	Adjustm. Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
	Housing	12,8%	18,8%	19,5%	18,7%	-166,8%	51,7%
	Roads and storm water	13,9%	10,4%	9,7%	10,4%	300,2%	86,8%
	Other	38,1%	24,3%	24,0%	24,2%	64,3%	71,7%

TABLE 92: CAPITAL EXPENDITURE - FUNDING SOURCES: 2015/16 TO 2017/18

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.9 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2016/17	Current: 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	67 209	93 569	74 763	104 562
Government - operating	71 173	63 110	62 719	61 389
Government - capital				
Interest	6 268	4 456	4 456	3 022
Dividends		3	3	
Payments				
Suppliers and employees	(118 479)	(111 837)	(113 966)	(146 911)
Finance charges	(3 174)	(14 475)	(800)	(3 499)
Transfers and Grants	(502)			(304)
NET CASH FROM/(USED) OPERATING ACTIVITIES	22 496	34 825	27 174	18 260
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments	(1)			
Payments				
Capital assets	(23 082)	(30 801)	(21 652)	(16 499)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 083)	(30 801)	(21 652)	(16 499)

Cash Flow Outcomes				
R'000				
Description	2016/17	Current: 2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans			4 000	
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits	39			21
Payments				
Repayment of borrowing	(1 447)		(4 000)	(514)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 408)	–	–	(493)
NET INCREASE/ (DECREASE) IN CASH HELD	(1 995)	4 025	5 522	1 268
Cash/cash equivalents at the year begin:	2 272			277
Cash/cash equivalents at the year end:	277	4 025	5 522	1 545

TABLE 93: CASH FLOW OUTCOMES

5.10 BORROWING AND INVESTMENTS

Actual Borrowings: 2015/16 to 2017/18			
	R' 000		
Instrument	2015/16	2016/17	2017/18
Municipality			
Long-Term Loans (annuity/reducing balance)	3 362	2 391	1 940
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	3 362	2 391	1 940
Municipal Entities			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Entities Total	0	0	0

TABLE 94: ACTUAL BORROWINGS: 2015/16 TO 2017/18

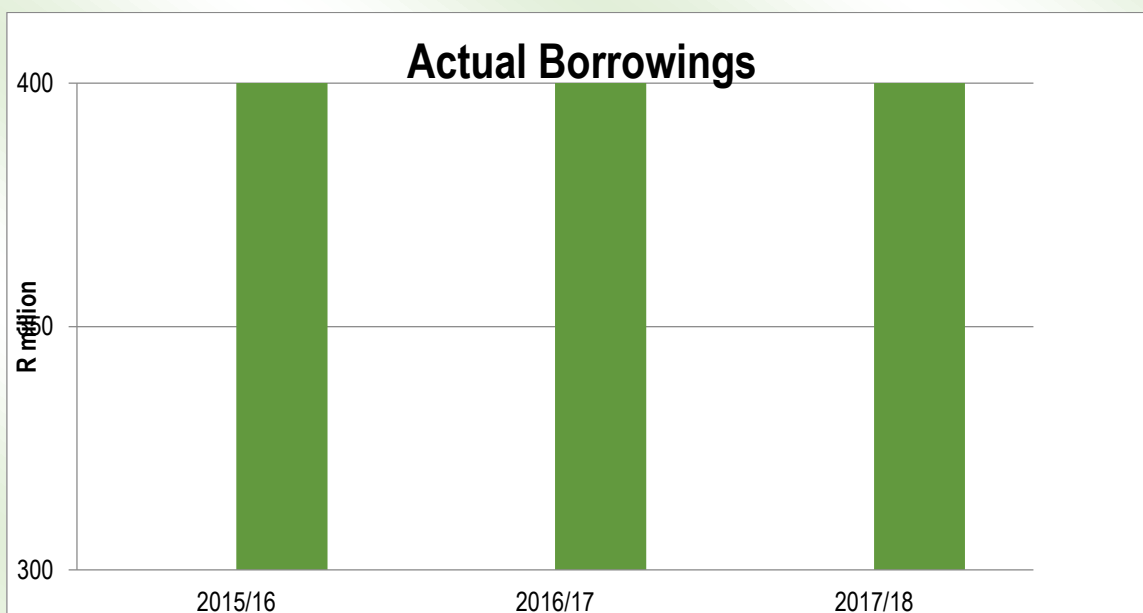


FIGURE 11: ACTUAL BORROWINGS

Kannaland Municipality as many other municipalities in South Africa, is reliant on grant funding to enhance their income and to properly execute their duties and functions as prescribed by the Constitution of South Africa. Therefore all grant funding received from National and Provincial Government needs to be used, solely for the purposes intended and granted for.

All grant funding are safely deposited at the Municipality's bank on 32 days investments. This not only ensures safekeeping of grant funding, but also enhancing the cash flow position of the Municipality by earning additional income from interest.

5.11 PUBLIC PRIVATE PARTNERSHIPS

The Municipality has not undertaken any projects through Public Private Partnerships during 2017/18.

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 GRAP COMPLIANCE

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

The financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

The Constitution in S188 (1)(b) states that the functions of the Auditor-General include the auditing and reporting on the accounts, financial statements and financial management of all municipalities. In accordance with the Local Government: Municipal Systems Act, 2000 (section 45) the results of performance measurement must be audited annually by the Auditor-General.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2017/18

The municipality has improved its audit outcome to an unqualified audit opinion when compared to the prior year. This was due to senior management as the first level of assurance making a concerted effort to improve the audit outcome, however, continued instability was experienced at the municipality especially in the finance and supply chain management (SCM) units. This resulted in leadership of the municipality not being able to provide sufficient oversight to ensure that action plans developed were implemented and monitored to address all the prior year audit findings and internal control deficiencies previously reported.

6.1 AUDITOR GENERAL REPORTS

Auditor-General Report on Financial Performance:	
Main issues raised under emphasis of matter	
Non-Compliance Issues	Remedial Action Taken
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, expenditure, statement of comparison of budget and actual and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion	Corrective measures has been included in the management report.
The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA. This was due to governance, skills and capacity as well as system challenges experienced by the municipality.	Corrective measures has been included in the management report.

Auditor-General Report on Financial Performance:

Main issues raised under emphasis of matter

Reasonable steps were not taken to prevent unauthorised expenditure amounting to R19,1 million as disclosed in note 43.1 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was as a result of spending in excess of the budget.

Corrective measures has been included in the management report.

Reasonable steps were not taken to prevent irregular expenditure amounting to R20,1 million as disclosed in note 43.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the municipality's supply chain management policy.

Corrective measures has been included in the management report.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1,7 million as disclosed in note 43.2 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by late payments which attracted penalties and interest.

Corrective measures has been included in the management report.

Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA. This was caused by the municipality's inability to pay outstanding accounts for current services due to severe cash flow constraints.

Corrective measures has been included in the management report.

Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by Municipal Supply Chain Management Regulations, 2005 (SCM) regulations 17(a) and (c).

Corrective measures has been included in the management report.

TABLE 95: AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE

Auditor-General Report on Service Delivery Performance: 2017/18

Audit Report Status:

Non-Compliance Issues

Material misstatements in the annual performance report submitted for auditing.

Remedial Action Taken

This was corrected and submitted to the Auditor-General. Management will ensure that better performance reporting be monitored.

TABLE 96: AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE: 2017/18

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a Municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a Municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.

Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a Municipality aims to achieve within a given time period.

Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the Municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
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APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
J Donson	FT	Mayco / Council	Ward	100%	0%
P Antonie	FT	Mayco / Portfolio Administration / Council / MPAC	Party Representative	100%	0%
H Ruiters	FT	Mayco / Portfolio Technical / Council	Ward	100%	0%
M Barry	PT	Council / Mayco	Ward	100%	0%
W Meshoa	PT	Council	Ward	100%	0%
J Johnson	PT	Council	Ward	100%	0%
A Theron	PT	Council	Ward	100%	0%

TABLE 97: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Local Labour Forum	To regulate HR matters
Audit Committee	To have oversight with regard to finance (MFMA) and legislative requirements
MPAC Committee	To have oversight with regard to the Annual Report
Technical Committee	To have oversight with regard to Technical projects
Risk Committee	To have oversight with regard to the Risk Management function

TABLE 98: COMMITTEES AND COMMITTEE PURPOSES

APPENDIX C – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal Functions	
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4 and 5 Part B functions:	
Air pollution	YES
Building regulations	YES
Child care facilities	YES
Electricity and gas reticulation	YES
Firefighting services	YES
Local tourism	YES
Municipal airports	YES
Municipal planning	YES
Municipal health services	YES
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
Stormwater management systems in built-up areas	YES
Trading regulations	NO
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	YES
Beaches and amusement facilities	NO
Billboards and the display of advertisements in public places	NO
Cemeteries, funeral parlours and crematoria	YES

Municipal Functions	
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*
Cleansing	YES
Control of public nuisances	PARTIAL
Control of undertakings that sell liquor to the public	NO
Facilities for the accommodation, care and burial of animals	NO
Fencing and fences	YES
Licensing of dogs	YES
Licensing and control of undertakings that sell food to the public	YES
Local amenities	YES
Local sport facilities	YES
Markets	NO
Municipal abattoirs	YES
Municipal parks and recreation	YES
Municipal roads	YES
Noise pollution	YES
Pounds	NO
Public places	YES
Refuse removal, refuse dumps and solid waste disposal	YES
Street trading	YES
Street lighting	YES
Traffic and parking	YES

TABLE 99: MUNICIPAL FUNCTIONS

APPENDIX D – WARD REPORTING

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of quarterly public ward meetings held during year
Nissenville Ward 1	Councillor J Donson	Yes	The ward committee was established 01 April 2017	3
Calitzdorp Ward 2	Councillor W Meshoa	Yes	The ward committee was established 01 April 2017	4
Zoar Ward 3	Executive Mayor M Barry	Yes	The ward committee was established 01 April 2017	4
Ladismith Ward 4	Speaker A Theron	Yes	The ward committee was established 01 April 2017	4

TABLE 100: FUNCTIONALITY OF WARD COMMITTEES

APPENDIX E – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	M. Barry	None
Member of MayCo / Exco		
Deputy Mayor	P. Antonie	None
Speaker	A. Theron	None
Ward 1 Councillor	J. Donson	None
Ward 3 Councillor	W. Meshoa	None
PR Councillor DA	J. Johnsen	None
PR Councillor ICOSA	H. Ruiters	None
Municipal Manager	R. Stevens	10 Sasol shares
Chief Financial Officer	B. Strydom	None

Deputy MM and (Executive) Directors		
Acting CFO	K. Cooper	None
Director Corporate Services	H. Barnard	None

TABLE 101: DISCLOSURES OF FINANCIAL INTERESTS

APPENDIX H (I): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
R '000						
Description	Year 2016-2017	Year 2017-2018			Year 2017-2018 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	14 900	15 956	16 003	17 244	7%	7%
Property rates - penalties & collection charges						
Service Charges - electricity revenue	42 355	44 425	41 101	44 650	1%	8%
Service Charges - water revenue	11 996	11 329	11 971	13 060	13%	8%
Service Charges - sanitation revenue	5 833	7 744	6 366	6 624	-17%	4%
Service Charges - refuse revenue	5 347	5 760	5 952	4 385	-31%	-36%
Service Charges - other						
Rentals of facilities and equipment	484	308	488	570	46%	14%
Interest earned - external investments	845	600	350	508	-18%	31%
Interest earned - outstanding debtors	5 423	3 856	3 856	4 424	13%	13%
Dividends received	3	3	3	–	#DIV/0!	#DIV/0!
Fines	6 108	6 053	6 053	5 661	-7%	-7%
Licences and permits	914	295	295	139	-112%	-112%
Agency services	780	905	905	868	-4%	-4%
Transfers recognised - operational	46 332	32 310	41 067	38 303	16%	-7%
Other revenue	1 898	793	354	1 278	38%	72%
Gains on disposal of PPE						
Environmental Protection						
Total Revenue (excluding capital transfers and contributions)	143 217	130 337	134 764	137 715	5,36%	2,14%

TABLE 102: REVENUE BY SOURCE

APPENDIX I – PRESEDENTIAL OUTCOME FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	Challenges faced in the previous financial year are being addressed	85%
Output: Implementation of the Community Work Programme	Good working relationships with CWP to address certain service delivery issues	70%
Output: Deepen democracy through a refined Ward Committee model	The ward committee function operates fully in all four wards.	100%
Output: Administrative and financial capability	Kannaland Municipality's main objective is to improve on its current financial welfare and challenges faced in the previous financial year are being addressed.	85%

TABLE 103: PRESEDENTIAL OUTCOME FOR LOCAL GOVERNMENT

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Kannaland Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Kannaland Municipality set out on pages 3 to 85, which comprise the statement of financial position as at 30 June 2018 and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kannaland Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the 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, 2017 (Act No. 3 of 2017) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
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.

Restatement and reclassification of corresponding figures

7. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.
8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2017 were reclassified and renamed to align with the Municipal Regulations on Standard Chart of Accounts (mSCOA) that came into effect on 1 July 2017.

Material underspending of the conditional grants

9. As disclosed in note 22.8 to the financial statements, the municipality underspent its conditional grants by R12,9 million (2015-16: R10,2 million). The balance of R12.9 million includes an amount for R10.2 million for historical conditional grants that are not cash-backed and for which it could not be said that the municipality would spend those grants of R10.2 million in the year under review.

Material losses and impairments of receivables

10. As disclosed in note 16 to the financial statements, the municipality provided for the impairment of receivables from exchange transactions amounting to R36,2 million (2016-17: R53,2 million).
11. As disclosed in note 17 to the financial statements, the municipality provided for the impairment of receivables from non-exchange transactions amounting to R26,7 million (2016- 17: R29,3 million).
12. As presented in the statement of financial performance, the municipality wrote off bad debt of R27,4 million (2016-17: R0) as irrecoverable.
13. As disclosed in note 42.4 to the financial statements, material water losses to the amount of R6,9 million(2016-17: R4,8 million) was incurred which represents 41,1% (2016-17: 32,8%) of total water purchased.

Significant uncertainties

14. With reference to note 51 to the financial statements, the municipality is the defendant in lawsuits with third parties to an amount of R4,1 million. The outcomes of these matters cannot currently be determined and no provision for any liability that may result has been made in the financial statements.

Other matters

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

Unaudited supplementary schedules

16. The supplementary information set out on pages 82 to 85 did 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.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

18. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
19. In preparing the financial statements, the accounting officer is responsible for assessing the Kannaland Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

20. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
21. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

22. 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.
23. 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.
24. 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 2018:

Objective	Pages in annual performance report
Key Performance Area 1: To provide access to reliable infrastructure that will contribute to a better quality of life for Kannaland citizens	10 – 12
Key Performance Area 2: To provide adequate services and improve our public relations	13
Key Performance Area 7: To strive towards a financially sustainable municipality	23 – 37

25. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
26. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Key Performance Area 1: To provide access to reliable infrastructure that will contribute to a better quality of life for Kannaland citizens
 - Key Performance Area 2: To provide adequate services and improve our public relations
 - Key Performance Area 7: To strive towards a financially sustainable municipality

Other matters

27. I draw attention to the matters below:

Achievement of planned targets

28. Refer to the annual performance report on pages 10 to 37 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Key performance area 2: To provide adequate services and improve our public relations and Key performance area 7: To strive towards a financially sustainable municipality. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

30. 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.

31. The material findings on compliance with specific matters in key legislation is as follows:

Annual financial statements

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, expenditure, statement of comparison of budget and actual and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion

33. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA. This was due to governance, skills and capacity as well as system challenges experienced by the municipality.

Expenditure management

34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R19,1 million as disclosed in note 43.1 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was as a result of spending in excess of the budget.

35. Unforeseen and unavoidable expenditure incurred by the municipality was not approved by the mayor as required by section 29(1) of the MFMA.
36. Reasonable steps were not taken to prevent irregular expenditure amounting to R20,1 million as disclosed in note 43.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the municipality's supply chain management policy.
37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1,7 million as disclosed in note 43.2 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by late payments which attracted penalties and interest.
38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA. This was caused by the municipality's inability to pay outstanding accounts for current services due to severe cash flow constraints.

Grant management

39. I was unable to obtain sufficient appropriate audit evidence that the Municipal Infrastructure Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Division of Revenue Act, 2017 (Act no. 3 of 2017) This was due to unspent grants not being cash backed.

Procurement and contract management

40. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by Municipal Supply Chain Management Regulations, 2005 (SCM) regulations 17(a) and (c).

Strategic planning and performance management

41. The local community was not consulted on the drafting of the integrated development plan (IDP), as required by section 29(1)(b)(ii) of the Municipal systems act (MSA) and municipal planning and performance reg 15(1)(a)(i)].
42. The IDP was not drafted considering the integrated development process and proposals submitted to it by the district municipality, as required by section 29(3)(b) of the MSA.
43. The local community was not afforded adequate opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).
44. The service delivery and budget implementation plan (SDBIP) was revised during the year without approval of the council following approval of an adjustments budget, as required by section 54(1)(c) of the MFMA.

Consequence management

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

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

Other information

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

Internal control deficiencies

52. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the performance report and compliance with legislation included in this report.
53. Leadership did not provide adequate oversight regarding the implementation of action plans to address prior year audit findings and internal control deficiencies which has resulted in repeat audit findings in the area of financial reporting, the report on pre-determined objectives and compliance with laws and regulations.
54. Management did not put adequate processes in place to ensure that a credible set of financial statements and annual performance report, in compliance with the reporting frameworks, were prepared as the internal review procedures were inadequate to identify and correct material misstatements in the financial statements, performance report and underlying records before submitting for audit. This was mainly due to the processes implemented for the preparation and finalisation of the financial statements and annual performance report being inadequate

and quarterly financial statements and performance reports not being prepared to ensure the credibility of the financial statements and the annual performance report and submission thereof in a timely manner for audit purposes.

55. Deficiencies in review processes and the ineffective implementation of compliance monitoring controls to ensure compliance with key applicable legislation resulted in non-compliance with the MFMA and other applicable legislation and unauthorised, irregular and fruitless and wasteful expenditure continuing to be incurred.
56. The municipality did not implement effective systems of risk management to achieve the objectives of a strengthened internal control environment and mitigate the risks of material misstatements in the financial statements and annual performance report and in non-compliance with the prescribed reporting frameworks.
57. The audit committee was ineffective and there was no internal audit to provide adequate oversight over financial and performance reporting and compliance with laws and regulations as well as to ensure the implementation of internal controls regarding the reliability and integrity of financial and performance information, and evaluation of compliance with laws and regulations in the areas of expenditure and supply chain management.

Other reports

58. I draw attention to the following engagement conducted by a party that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
59. The Directorate for Priority Crime Investigation is conducting an investigation into alleged fraud at the municipality. The investigation is ongoing and is still in progress at the date of this report

Auditor-General

Cape Town

28 August 2019



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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

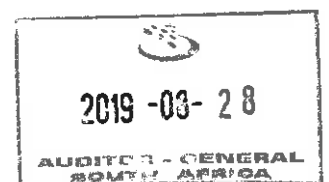
KANNALAND

MUNICIPALITY



FINANCIAL STATEMENTS

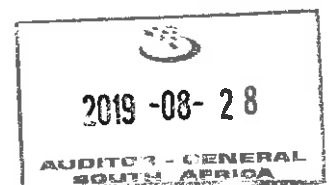
30 JUNE 2018



KANNALAND MUNICIPALITY

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KANNALAND MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Kannaland is a local municipality performing the functions as set out in Section 151 of the Constitution of the Republic of South Africa. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African category B municipality (Local Municipality), as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

Kannaland Municipality includes the following areas:

Ladismith

Calitzdorp

Van Wyksdorp

Zoar

MAYOR

Ms M Barry

MAYORAL COMMITTEE

Ms M Barry - Executive Mayor

Mr P Antonie- Executive Deputy Mayor

Ms A Theron- Speaker

MUNICIPAL MANAGER

Mr R Stevens

CHIEF FINANCIAL OFFICER

Mr R Butler

REGISTERED OFFICE

32 Church Street

Ladismith

6655

AUDITORS

Auditor General of South Africa

Private Bag X1

Chempet 7442

PRINCIPLE BANKER

Standard Bank, Ladismith

ATTORNEYS

Barry & Mouton Attorneys

Anzel Laubscher Attorneys

BCHC Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

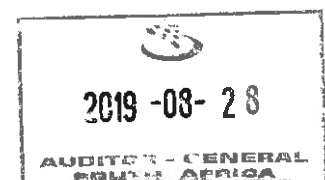
Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations



KANNALAND MUNICIPALITY

MEMBERS OF KANNALAND LOCAL MUNICIPALITY

WARD

Ward 1
Ward 2
Ward 3
Ward 4
Proportional
Proportional
Proportional

COUNCILLOR

J. Donson
W. Meshoa
M. Barry
A. Theron
P. Phillipus
H. Ruiters
J. Johnson

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of the annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act (Act 56 Of 2003) and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with General Recognised Accounting Practises (GRAP).

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2019 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for reporting on the Municipality's financial statements.

I certify that the remuneration of councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa. (Act no 105 of 1996) , read with the Remuneration of Public Officer Bearers Act, (Act 20 of 1998) and the minister of provincial and local government's determination in accordance with this Act.

Mr R Stevens
MUNICIPAL MANAGER

Date: _____



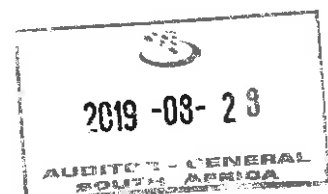
KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		230 457 477	222 755 343
Accumulated Surplus/(Deficit)		230 457 477	222 755 343
Non-Current Liabilities		37 799 168	38 238 002
Long-term Liabilities	2	1 940 211	2 391 091
Employee Benefits	3	11 635 882	13 045 289
Non-Current Provisions	4	24 223 075	22 801 622
Current Liabilities		64 584 057	70 369 181
Consumer Deposits	5	953 258	932 347
Current Employee benefits	6	4 990 903	4 824 373
Payables from exchange transactions	8	45 297 402	53 818 960
Unspent Conditional Government Grants and Receipts	9	12 885 866	10 279 189
Operating Lease Liability	18.2	5 750	
Current Portion of Long-term Liabilities	2	450 879	514 310
Total Net Assets and Liabilities		332 840 703	331 362 525
ASSETS			
Non-Current Assets		319 923 345	318 539 947
Property, Plant and Equipment	11	315 223 549	312 924 127
Investment Property	12	1 594 077	1 699 498
Intangible Assets	13	71 418	100 506
Capitalized Restoration cost	15	3 016 547	3 798 060
Investments	20	17 755	17 755
Current Assets		12 917 358	12 822 578
Inventory	14	176 210	452 799
Receivables from exchange transactions	16	3 495 955	4 207 581
Receivables from non-exchange transactions	17	2 962 782	2 925 126
Operating Lease Asset	18.1	31 461	45 964
Taxes	10	4 706 045	4 913 734
Cash and Cash Equivalents	19	1 544 906	277 375
Total Assets		332 840 703	331 362 525

KANNALAND MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

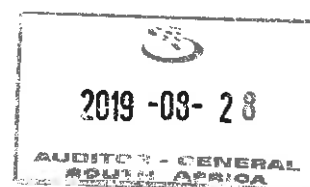
	Notes	2018 (Actual) R	2017 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		83 596 592	93 102 042
Taxation Revenue		17 243 524	14 899 827
Property Rates	21	17 243 524	14 899 827
Transfer Revenue		58 782 601	69 300 019
Government Grants and Subsidies-Operational	22	38 303 480	46 331 733
Government Grants and Subsidies-Capital	22	20 479 121	22 963 286
Public Contributions and Donations		-	5 000
Other Revenue		7 570 466	8 902 195
Dividends Received		-	2 954
Fines, Penalties and Forfeits		5 661 270	6 107 586
Interest Earned - non exchange transactions		1 909 196	1 257 196
Contributed Property, Plant and Equipment		-	1 534 460
Revenue from Exchange Transactions		74 607 803	73 078 135
Service Charges	23	68 729 093	65 531 187
Rental from Fixed Assets		570 405	484 266
Interest Earned - external investments		507 610	845 033
Interest Earned - outstanding receivables		2 514 695	4 165 749
Licences and Permits		139 405	913 796
Agency Services		868 127	779 674
Operational Revenue	24	1 016 808	64 774
Sales of Goods and Rendering of Services		261 660	293 655
Total Revenue		158 204 395	166 180 176
EXPENDITURE			
Employee related costs	25	47 694 047	47 843 483
Remuneration of Councillors	26	2 975 406	2 613 106
Bad Debts Written -off		27 474 148	-
Depreciation and Amortisation	28	12 418 799	12 685 928
Inventory Consumed	34	1 241 098	2 252 561
Finance Costs	30	3 498 522	3 173 751
Bulk Purchases	31	32 580 546	26 557 505
Contracted Services	32	17 148 562	19 354 681
Operational Costs	33	9 109 431	13 639 789
Operating Leases		318 207	-
Transfers and Subsidies	35	303 742	501 899
Total Expenditure		154 762 507	128 622 704
Operating Surplus		3 441 888	37 557 472
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(323 575)	315 031
(Impairment Loss)/Reversal of Impairment Loss on Receivables	27	7 280 364	(27 409 395)
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	29	(4 183)	(530 373)
Gains/(Loss) on Sale of Fixed Assets		(2 692 359)	(723 736)
NET SURPLUS/(DEFICIT)FOR THE YEAR		7 702 134	9 208 999



KANNALAND MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Accumulated Surplus/ (Deficit)	Total
		R	R
Balance as at 1 JULY 2016		220 713 499	220 713 499
Change in accounting policy			
Correction of error	36.2	(7 167 157)	(7 167 157)
Restated Balance as at 1 JULY 2016		213 546 342	213 546 342
Net Surplus for the year	36.9	9 208 999	9 208 999
Balance as at 30 JUNE 2017		222 755 343	222 755 343
Net Surplus for the year		7 702 134	7 702 134
Balance as at 30 JUNE 2018		230 457 477	230 457 477



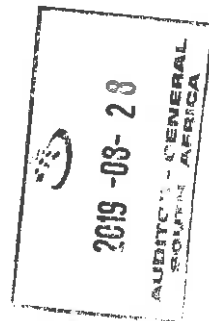
KANNALAND MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 JUNE 2018 R	30 JUNE 2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		104 561 516	67 209 221
Government		61 389 274	71 173 267
Interest		3 022 305	6 267 978
Payments			
Suppliers and employees		(146 911 161)	(118 478 829)
Finance charges	30	(3 498 522)	(3 173 751)
Transfers and Grants	35	(303 742)	(501 899)
Cash generated by operations	38	18 259 671	22 495 987
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(16 498 741)	(23 081 841)
Decrease in current Investments			(1 216)
Net Cash from Investing Activities		(16 498 741)	(23 083 057)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(514 310)	(1 447 122)
Increase in Consumer Deposits		20 911	39 111
Net Cash from Financing Activities		(493 399)	(1 408 011)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 267 531	(1 995 083)
Cash and Cash Equivalents at the beginning of the year		277 375	2 272 457
Cash and Cash Equivalents at the end of the year	39	1 544 906	277 375
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 267 531	(1 995 082)

KANWALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances (Amounts over/above R1.5 million)
ASSETS				
Current assets				
Cash	1 544 906	2 000 000	(455 094)	
Consumer debtors	6 458 736	62 957 000	(56 498 264)	
Other Receivables	4 737 506	7 193 000	(2 455 494)	Provision for debt impairment excluded
Inventory	176 210	422 000	(245 790)	Expired traffic fines written off resulted to the decrease
Total current assets	12 917 358	72 572 000	(59 654 642)	
Non current assets				
Investment	17 755	-	17 755	
Investment property	1 594 077	-	1 594 077	Investment Property is included in Property Plant and Equipment below
Property, plant and equipment	318 240 095	313 828 000	4 412 095	Capitalized Restoration cost included
Intangible Assets	71 418	121 000	(49 582)	
Total non current assets	319 923 345	313 949 000	5 956 590	
TOTAL ASSETS	332 840 703	386 521 000	(53 698 052)	
LIABILITIES				
Current liabilities				
Borrowing	450 879	720 000	(269 121)	
Consumer deposits	953 258	669 000	284 258	
Trade and other payables	58 183 268	54 541 000	3 642 268	More trade Payables have been settled as anticipated
Operating Leases	5 750	-	5 750	
Provisions and Employee Benefits	4 990 903	-	4 990 903	Current portion which is included in the Provisions and Employee Benefits below
Total current liabilities	64 584 057	55 930 000	8 654 057	
Non current liabilities				
Borrowing	1 940 211	1 988 000	(47 789)	
Provisions and Employee Benefits	35 858 957	37 198 000	(1 339 043)	
Total non current liabilities	37 799 168	39 186 000	(1 386 832)	
TOTAL LIABILITIES	102 383 226	95 116 000	7 267 226	
NET ASSETS	230 457 477	291 405 000	(60 965 278)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	230 457 477	291 405 000	(60 947 523)	Administrative/calculating error with budget process
TOTAL COMMUNITY WEALTH/EQUITY	230 457 477	291 405 000	(60 947 523)	



KANNALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

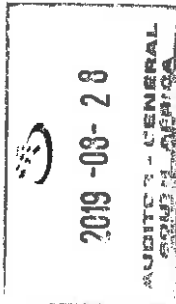
	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
ASSETS			
Current assets			
Cash	2 000 000		2 000 000
Call investment deposits			
Consumer debtors	52 399 000	10 558 000	62 957 000
Other Receivables	7 193 000	-	7 193 000
Current portion of long-term receivables			
Inventory		422 000	422 000
Total current assets	61 592 000	10 980 000	72 572 000
Non current assets			
Investments			
Investment property			
Property, plant and equipment	324 009 000	(10 181 000)	313 828 000
Intangible Assets	121 000	-	121 000
Heritage Assets			
Total non current assets	324 130 000	(10 181 000)	313 949 000
TOTAL ASSETS	385 722 000	799 000	386 521 000
LIABILITIES			
Current liabilities			
Bank overdraft			
Borrowing	1 500 000	(780 000)	720 000
Consumer deposits	669 000	-	669 000
Trade and other payables	58 886 000	(4 345 000)	54 541 000
Provisions and Employee Benefits			
Total current liabilities	61 055 000	(5 125 000)	55 930 000
Non current liabilities			
Borrowing	1 988 000	-	1 988 000
Provisions and Employee Benefits	28 115 000	9 083 000	37 198 000
Total non current liabilities	30 103 000	9 083 000	39 186 000
TOTAL LIABILITIES	91 158 000	3 958 000	95 116 000
NET ASSETS	294 564 000	(3 159 000)	291 405 000
COMMUNITY WEALTH			
Accumulated Surplus/(Deficit)	294 564 000	(3 159 000)	291 405 000
TOTAL COMMUNITY WEALTH/EQUITY	294 564 000	(3 159 000)	291 405 000

Due to decrease in payment rate of debtors

Capital expenditure from grant project cancelled

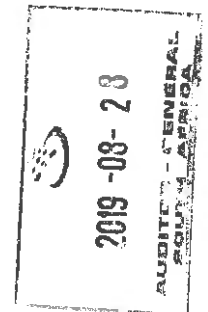
Decrease in trade creditors

Increase in Landfill site and Employee benefits derived from latest professional reports



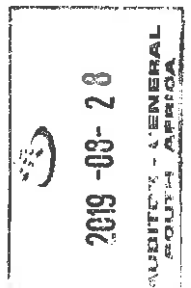
KANNALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material adjustments (Amounts above R1.5 million)
Property rates	17 243 524	16 003 000	1 240 524	
Service charges	68 729 093	65 390 000	3 339 093	
Rental of facilities and equipment	570 405	488 000	82 405	
Interest earned - external investments	507 610	350 000	157 610	
Interest earned - outstanding debtors	4 423 891	3 856 000	567 891	
Dividends		3 000	(3 000)	
Fines, Penalties and Forfeits	5 661 270	6 063 000	(391 730)	
Licences and permits	139 405	295 000	(155 595)	
Agency services	868 127	905 000	(36 873)	
Government Grants and Subsidies	38 303 480	41 067 000	(2 763 520)	
Other revenue	1 278 468	353 000	925 468	Due to cancellation of a capital project and an amount withheld from Equitable share
Total Operating Revenue	137 725 274	134 763 000	2 962 274	
EXPENDITURE BY TYPE				
Employee related costs	47 694 047	47 485 000	209 047	
Remuneration of councillors	2 975 406	2 928 000	47 406	
Debt Impairment	27 474 148	14 475 000	12 999 148	Debtors debt written off due to councils resolution
Depreciation & asset impairment	12 418 799	11 581 000	837 799	
Finance charges	3 498 522	800 000	2 698 522	Additional interest charges levied on overdue creditors accounts
Bulk purchases	32 590 546	29 544 000	3 046 546	
Other expenditure	28 121 041	29 665 000	(1 543 959)	Savings on expenditure
Total Operating Expenditure	154 762 507	136 478 000	18 284 507	
Government Grants and Subsidies - Capital	(17 037 234)	(1 715 000)	(15 322 234)	
Gains/(Loss) on Sale of Fixed Assets	20 479 121	21 652 000	(1 172 879)	
Contributed Assets	(2 692 359)		(2 692 359)	Writing off of Property Plant and Equipment not foreseen during budget process.
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-323 575		(323 575)	
Impairment Loss/(Reversal of Impairment Loss) on Receivables	7 280 364		7 280 364	Due to increased amount of written off debts, resulting in decrease for provision for impairment
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	-4 183		(4 183)	
	7 702 134	19 937 000	(12 234 866)	



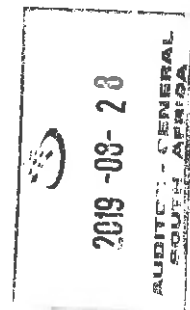
KANNALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	
REVENUE BY SOURCE				
Property rates	15 956 000	47 000	16 003 000	
Service charges	69 258 000	(3 868 000)	65 390 000	
Rental of facilities and equipment	308 000	180 000	488 000	
Interest earned - external investments	600 000	(250 000)	350 000	
Interest earned - outstanding debtors	3 856 000	-	3 856 000	
Dividends	3 000	-	3 000	
Fines, Penalties and Forfeits	6 053 000	-	6 053 000	
Licences and permits	295 000	-	295 000	
Agency services	905 000	-	905 000	
Government Grants and Subsidies - Operating	32 310 000	8 757 000	41 067 000	Additional grants proclaimed
Other revenue	793 000	(440 000)	353 000	
Total Operating Revenue	130 337 000	4 426 000	134 763 000	
EXPENDITURE BY TYPE				
Employee related costs	45 190 000	2 295 000	47 485 000	
Remuneration of councillors	3 058 000	(130 000)	2 928 000	Appointment of temper personnel
Debt Impairment	14 475 000	-	14 475 000	
Depreciation & asset impairment	10 549 000	1 032 000	11 581 000	
Finance charges	800 000	-	800 000	
Bulk purchases	30 964 000	(1 420 000)	29 544 000	
Grants and subsidies paid				
Other expenditure	21 277 000	8 388 000	29 665 000	Increase in anticipated repairs and maintenance and general expenditure
Loss on disposal of PPE		-	-	
Total Operating Expenditure	126 313 000	10 165 000	136 478 000	
Operating Deficit for the year	4 024 000	-5 739 000	(1 715 000)	
Government Grants and Subsidies - Capital	30 801 000	-9 149 000	21 652 000	
Gains/(Loss) on Sale of Fixed Assets				
Contributed Assets				
Net Surplus/(Deficit) for the year	34 825 000	(14 888 000)	19 937 000	



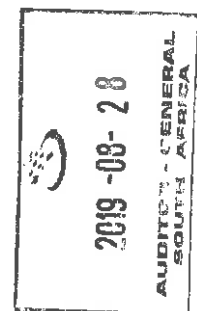
KANNALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances over/above R1.5 million
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	104 561 516	71 670 000	32 891 516	Administrative/calculating errors with budget process
Government - operating	40 910 153	43 245 000	(2 334 847)	Due to cancellation of a capital project and an amount withheld from Equitable share
Government - capital	20 479 121	26 231 000	(5 751 879)	Due to cancellation of a capital project and an amount withheld from Equitable share
Interest	3 022 305	4 260 000	(1 237 695)	
Payments				
Suppliers and Employees	(146 911 161)	(94 056 000)	(52 855 161)	Administrative/calculating errors with budget process
Finance charges	(3 498 522)	(987 000)	(2 511 522)	Administrative/calculating errors with budget process
Transfers and Grants	(303 742)	-	(303 742)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	18 259 671	50 363 000	(32 103 329)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current investments	-	(479 000)	479 000	
Payments				
Capital assets	(16 498 741)	(26 341 000)	9 842 259	Due to cancellation of a grand and subsequently the capital project original budgeted for
NET CASH FROM/(USED) INVESTING ACTIVITIES	(16 498 741)	(26 820 000)	10 321 259	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing		16 000	(17 089)	
Increase/(decrease) in consumer deposits	20 911	38 000	(17 089)	
Payments				
Repayment of borrowing	(514 310)	(1 050 000)	535 690	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(493 399)	(996 000)	518 601	
NET INCREASE/(DECREASE) IN CASH HELD	1 267 531	22 547 000	(21 263 469)	
Cash and Cash Equivalents at the beginning of the year	277 375	(3 205 000)	3 482 375	
Cash and Cash Equivalents at the end of the year	1 544 906	19 342 000	(17 797 094)	



KANNALAND MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018
ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	15 856 000	55 714 000	71 670 000	Administrative/calculating errors with budget process
Government - operating	69 258 000	(26 013 000)	43 245 000	Administrative/calculating errors with budget process
Government - capital	54 480 000	(28 249 000)	26 231 000	Administrative/calculating errors with budget process
Interest	4 455 000	(196 000)	4 260 000	
Payments				
Suppliers and Employees	(76 842 000)	(17 214 000)	(94 056 000)	Administrative/calculating errors with budget process
Finance charges	(3 042 000)	2 055 000	(987 000)	Administrative/calculating errors with budget process
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	64 266 000	-13 903 000	50 363 000	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets				
Decrease/(increase) in non-current receivables				
Decrease/(increase) in non-current investments				
Payments				
Capital assets	(479 000)		(479 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(20 823 000)	(5 518 000)	(26 341 000)	Administrative/calculating errors with budget process
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	16 000		16 000	
Increase/(decrease) in consumer deposits	38 000		38 000	
Payments				
Repayment of borrowing	(1 050 000)		(1 050 000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(996 000)		(996 000)	
NET INCREASE/(DECREASE) IN CASH HELD	41 968 000	(19 421 000)	22 547 000	
Cash and Cash Equivalents at the beginning of the year	606 000	(3 811 000)	(3 205 000)	
Cash and Cash Equivalents at the end of the year	8 360 000	10 982 000	19 342 000	



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

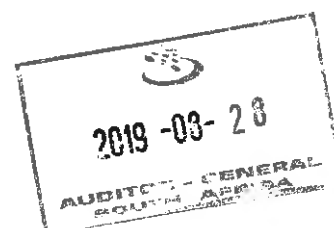
Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

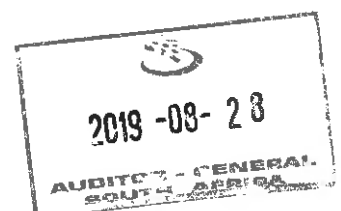
The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

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



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.8. 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:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	Related Party Disclosure The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	1 April 2019
GRAP 32 (Original – Aug 2013)	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	1 April 2019
IGRAP 17	<u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u> This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease No such transactions or events are expected in the foreseeable future.	Unknown
GRAP 108 (Original – Sept 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles	1 April 2019

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	as set out in GRAP 108 to formulate its own accounting policy	
GRAP 109	<p>Accounting by Principles and Agents</p> <p>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.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p>Living and non-living resources</p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 18	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p>	1 April 2020

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. 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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

property or intangibles assets. 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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.12. PROVISIONS

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

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

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

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

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

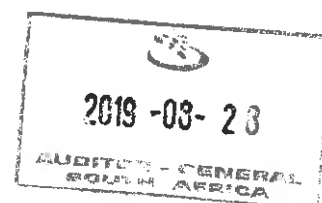
1.13. EMPLOYEE BENEFITS

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

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

1.13.1 Post-Retirement Medical Obligations

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



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these

plans are valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.13.3 Provision for Staff Leave

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

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Accumulated leave is vesting.

1.13.4 Staff Bonuses Accrued

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

1.13.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13.7 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

INFRASTRUCTURE	YEARS
• Storm water & Roads	3-100
• Electricity	10-67
• Water	6-115
• Sewerage	10-110
• Other	50
COMMUNITY	
• Libraries	100
• Parks & Gardens	50
• Cemetery	35
• Community Halls	35
• Others	75
• Sports Fields and Stadia	50
FINANCE LEASED ASSETS	
• Office Equipment	1-14
LAND AND BUILDINGS	
Buildings	5-140
Land	0
• Rehabilitation of Landfill Sites	10-30
OTHER	
• IT Equipment	1-12
• Furniture & Office Equipment	1-35
• Motor Vehicles	1-26
• Office Equipment	1-14
• Plant and Equipment	1-30
• Other	1-30

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.15.4 De-recognition

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

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

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

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

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

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

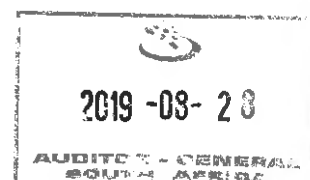
	<u>Years</u>
Computer Software	3-19

1.16.4 De-recognition

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

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and 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. Property with a currently undetermined use, is also classified as investment property.

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 measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

<u>Investment Property</u>	Years
Buildings	30-120

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

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

1.18 HERITAGE ASSETS

1.18.1 Initial Recognition

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

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

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

1.18.2 Subsequent Measurement – Cost Model

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

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

1.18.4 De-recognition

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

1.18.5 Application of deemed cost - Directive 7

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

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

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

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

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

(a) External sources of information

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

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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

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

recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

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

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

(a) External sources of information

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

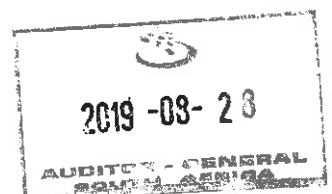
(b) Internal sources of information

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

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

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

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before
- impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

1.20.2 Subsequent Measurement

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

net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

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

1.21.1 Initial Recognition

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.21.2 Subsequent Measurement

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

1.21.2.1 Receivables

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.21.2.2 Payables and Annuity Loans

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

1.21.2.3 Cash and Cash Equivalents

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

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

1.21.2.4 Non-Current Investments

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

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

1.21.3.2 Financial Liabilities

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

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

1.21.4 Offsetting of Financial Instruments

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

1.22 STATUTORY RECEIVABLES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

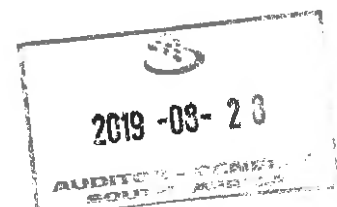
Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

All unclaimed deposits are initially recognised as a liability until 24 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than 24 months as revenue. Although unclaimed deposits are recognised as revenue after 24 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 24 months, in which case it will be expensed.

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

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

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

1.23.2 Revenue from Exchange Transactions

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

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

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

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

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Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;

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- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

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

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

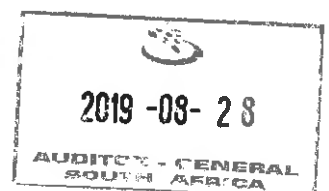
An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquire (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.25 RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

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

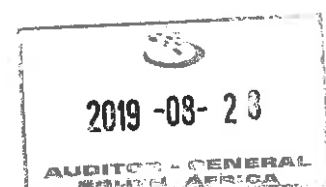
- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing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

Management personnel include:

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

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

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only



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parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

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

1.27. IRREGULAR EXPENDITURE

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

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

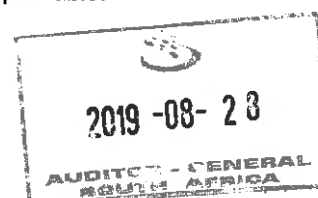
Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is

accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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



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Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.30.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates

and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 Impairment of Receivables

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

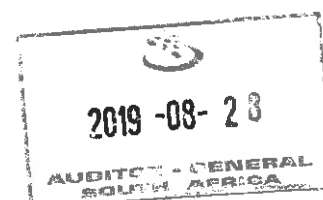
1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.



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

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

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

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

1.30.4 Intangible Assets

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

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

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

1.30.5 Investment Property

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

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

for the last 7 days during the year under review is used as the estimate for calculating unused units

1.30.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

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

1.32. CAPITAL COMMITMENTS

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

1.33. EVENTS AFTER REPORTING DATE

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

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

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

1.34. TAXATION

1.34.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.34.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.34.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

KANNALAND MUNICIPALITY

Notes to the financial statements for the year ended 30 June 2018

LONG-TERM LIABILITIES

Annuity Loans - At amortised cost
Capitalised Lease Liability - At amortised cost

Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost
Capitalised Lease Liability - At amortised cost

Total Long-term Liabilities - At amortised cost using the effective interest rate method

2018 R	2017 R
2 386 884	2 781 134
4 407	124 287
2 391 090	2 905 401
488 879	514 310
448 472	394 450
4 407	119 890
1 040 211	2 391 091
1 940 211	2 391 091

The Municipality entered into an agreement with DBSA on 30 April 2008 to consolidate previous loans with a new rescheduled loan amounted to R11 587 526,78 at a rate of 12,5% to be paid back in 180 monthly instalments. The calculation of the instalments is based on the actual number of days and shall be payable in arrears on the last business day of each month.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year
Payable within two to five years
Payable after five years

LESS: Future finance obligations
Present value of annuity obligations

**Minimum
annuity payments**

720 000	720 000
2 377 833	2 680 000
-	217 833
3 087 833	3 617 833
(711 248)	(1 036 800)
2 386 884	2 781 133

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year
Payable within two to five years
Payable after five years

LESS: Future finance obligations
Present value of lease obligations

**Minimum
lease payments**

4 454	123 147
-	4 454
4 454	127 601
(47)	(3 334)
4 407	124 267

Leases are secured by property, plant and equipment - Note 11

The Municipality leases printers and copiers from Nashua and Minolta for a 36 months period. The present value of the lease obligations has been determined by discounting the fixed monthly premiums at the prime interest rate.

The Hefcom lease liability relates to the settlement arrangement reached for leasing watermeters. The terms of this agreement are 24 months payments at a fix rate. The present value is determined by discounting the fixed monthly premiums at the prime interest rate.

EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 3.1

Long Service Awards - Refer to Note 3.2

Total Non-current Employee Benefit Liabilities

2018 R	2017 R
9 712 411	11 111 053
1 923 471	1 934 235
11 635 882	13 045 288

Post Retirement Benefits

Balance 1 July
Contribution for the year
Interest Cost
Expenditure for the year
Actuarial Gain

Total post retirement benefits 30 June

LESS: Transfer of Current Portion - Note 6

Balance 30 June

2018 R	2017 R
11 605 644	11 535 827
498 155	492 588
1 002 885	1 024 888
(447 885)	(488 400)
(2 905 031)	(876 058)
10 140 568	11 685 844
(428 277)	(484 580)
9 712 411	11 111 063

Long Service Awards

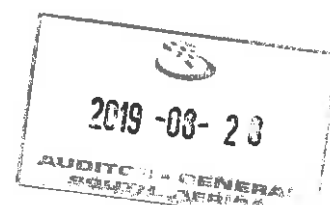
Balance 1 July
Contribution for the year
Interest Cost
Expenditure for the year
Actuarial Loss/ Gain

Total long service 30 June

LESS: Transfer of Current Portion - Note 6

Balance 30 June

2 076 288	2 028 708
144 305	138 845
125 617	120 431
(65 841)	(27 278)
(98 647)	(184 439)
2 181 703	2 075 268
(268 232)	(142 033)
1 923 471	1 934 236



TOTAL NON-CURRENT EMPLOYEE BENEFITS

	2018	2017
Balance 1 July	13 661 913	13 594 336
Contribution for the year	640 480	631 433
Interest cost	1 218 502	1 145 329
Expenditure for the year	(503 806)	(486 677)
Actuarial Gain	(2 704 878)	(1 162 508)
Total employee benefits 30 June	12 332 391	13 681 913
Less: Transfer of Current Portion - Note 6	(696 506)	(696 623)
Balance 30 June	11 635 885	12 985 290

EMPLOYEE BENEFITS (CONTINUE)

3.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	45	47
In-service (employee) non-members	86	87
Continuation members (e.g. Retirees, widows, orphans)	13	15
Total Members	126	129

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

	R (m)	R (m)
In-service members	3,805	4,042
In-service non-members	1,538	1,370
Continuation members	4,787	6,194
Total Liability	10,141	11,606

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2015 R	2014 R
Total Liability	11 536 800	10 726 848	9 578 800

Experience adjustments were calculated as follows:

	2018 R(m)	2017 R(m)	2016 R(m)	2015 R(m)	2014 R(m)
Liabilities: loss/(profit)	-1,807	0,264	-0,840	0,161	1,760

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's;
LA Health
Key health,
Hoamed
Samwumel

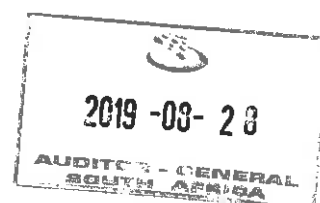
Key actuarial assumptions used:

	2018 %	2017 %
i) Rate of Interest		
Discount rate	9.57%	8.62%
Health Care Cost Inflation Rate	7.36%	7.89%
Net Effective Discount Rate	2.06%	1.60%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.



The amount recognised in the Statement of Financial Position is as follows:

	2018 R	2017 R
Present value of fund obligations	10 140 688	11 605 644
Total Liability	10 140 688	11 605 644

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	11 605 644	11 536 627
Total expenses	1 141 575	1 048 086
Current service cost	496 156	492 568
Interest Cost	1 082 885	1 024 898
Benefits Paid	(447 858)	(488 400)
Actuarial (gains)/losses	(2 806 031)	(978 088)
Present value of fund obligation at the end of the year	10 140 688	11 605 644
Less: Transfer of Current Portion - Note 6	(428 277)	(484 590)
Balance 30 June	9 712 411	11 111 054

Sensitivity Analysis on the Accrued Liability

Assumption	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Central Assumptions	5,343	4,787	10,141	

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Health care inflation	1%	6,500	5,272	11,772	18%
Health care inflation	-1%	4,417	4,388	8,806	-13%
Post-retirement mortality	-1 year	4,442	4,400	8,842	-13%
Discount Rate	1%	6,486	5,298	11,784	16%
Discount Rate	-1%	6,639	4,877	10,516	4%
Average retirement age	-1 year	5,888	4,787	10,675	8%
Continuation of membership at retirement	-10%	4,328	4,787	9,115	-10%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		496 200	1 082 900	1 579 100	
Health care inflation	1%	612 400	1 270 500	1 882 900	18%
Health care inflation	-1%	404 800	947 800	1 352 600	-15%
Post-retirement mortality	-1 year	410 300	1 049 600	1 459 900	-6%
Discount Rate	1%	605 900	1 137 300	1 743 200	10%
Discount Rate	-1%	514 900	1 135 200	1 650 100	4%
Average retirement age	-1 year	580 400	1 162 400	1 742 800	8%
Continuation of membership at retirement	-10%	403 400	996 300	1 402 700	-12%

3.2

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

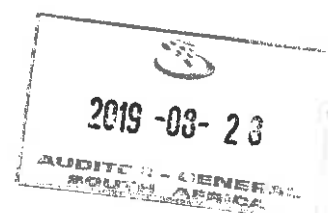
As at year end, the following number of employees were eligible for Long Service Bonuses.

	2018	2017
	113	114

Key actuarial assumptions used:

	2018 %	2017 %
f) Rate of Interest		
Discount rate	5.59%	6.50%
General Salary Inflation (long-term)	6.20%	6.32%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24%	2.05%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".



The amount recognised in the Statement of Financial Position is as follows:

	2018 R	2017 R
Present value of fund obligations	2 191 703	2 076 268
Net Liability	2 191 703	2 076 268

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
Total Liability	2 028 708	1 476 009	1 343 996

Experience adjustments were calculated as follows:

	2018	2017	2016	2015
Liabilities: (Gain) / loss		57 979	(71 741)	13 418

Reconciliation of present value of fund obligation:

	2018	2017
Present value of fund obligation at the beginning of the year	2 076 268	2 028 709
Total expenses	214 081	231 998
Current service cost	144 305	136 845
Interest Cost	125 617	120 431
Benefits Paid	(55 841)	(27 278)
Actuarial (gains)/losses	(98 647)	(184 439)
Present value of fund obligation at the end of the year	2 191 703	2 076 268
Less: Transfer of Current Portion - Note 6	(288 232)	(142 033)
Balance 30 June	1 903 471	1 934 235

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2,182	
General salary inflation	1%	2,327	6%
General salary inflation	-1%	2,068	-6%
Discount Rate	1%	2,062	-6%
Discount Rate	-1%	2,337	7%
Average retirement age	-2 yrs	1,946	-11%
Average retirement age	2 yrs	2,424	11%
Withdrawal rates	-50%	2,523	15%

3.3

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 8% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund, Government Employees Pension Fund, Municipal Council Pension Fund and IMATU Retirement Fund which are all defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Total contributions paid recognised in the Statement of Financial Performance

2018 R	2017 R
3 622 196	3 672 008

4

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

2018 R	2017 R
24 223 075	22 801 622

Landfill Sites

Balance 1 July
Unwinding of discounted interest
Total provision 30 June

2018 R	2017 R
22 801 622	21 418 400
1 421 452	1 383 223
24 223 075	22 801 622

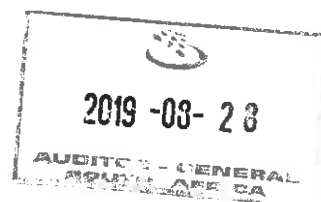
Less: Transfer of Current Portion to Current Provisions - Refer to note 7

Balance 30 June

2018 R	2017 R
24 223 075	22 801 622

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Callitxorp	Ladismith	Van Wyksdorp	Zoar	Total
Rehabilitation area (m ²)	19 485	16 876	3 516	6 657	
Cost	R	R	R	R	
Preliminary and General	922 846	582 586	322 528	282 674	2 110 433
Site Clearance and Preparation	57 481	46 831	10 372	19 681	134 375

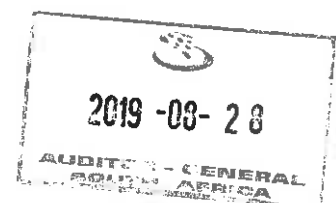


Stormwater Control Measures	1 060 182	958 846	640 085	567 818	3 248 931
Capping	4 178 196	2 884 208	845 700	1 221 417	8 928 521
Leachate Management	263 081	262 090	228 807	180 806	952 784
Fencing	1 011 357	883 031	780 793	8 367	1 810 914
Other	467 770	474 383	434 889	920 381	2 686 171
Contingencies	751 267	391 374	216 688	230 177	1 718 485
Engineering Professional Fees	618 820	342 882	254 367	169 696	1 417 768
Site Supervision					1 215 690
Total	9 694 882	6 828 422	3 803 206	3 866 695	24 223 075

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2018</u>	<u>Cost of rehabilitation 2017</u>	<u>Cost of rehabilitation - previously reported 2017</u>
		R	R	R
Calitzdorp	2020	10 695 191	10 822 678	8 958 791
Lesemth	2026	10 274 205	11 063 056	8 996 728
Van Wyndorp	2024	5 367 875	5 178 985	3 332 709
Zoar	2028	7 404 581	8 116 953	3 812 353
		<u>33 671 951</u>	<u>35 180 670</u>	<u>22 801 623</u>

The restatement of the costs of rehabilitation previously reported relates to the municipality opting to disclose the future values of the rehabilitation costs in 2018, whereas the present values were disclosed previously. The municipality is of the opinion that disclosing the future values results in more relevant information for the users of the financial statements as it discloses the actual expected cashflows at the date of decommission.



5

CONSUMER DEPOSITS

Electricity		
Rental Properties	775 045	742 252
Buildings Plans	14 896	28 324
Posters	151 171	146 626
Total Consumer Deposits	12 145	12 145
	983 268	932 347

Guarantees held in lieu of Electricity and Water Deposits

The fair value of consumer deposits approximates their carrying value. Interest was not paid on these amounts.

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits	426 277	494 590
Current Portion of Long-Services Provisions	268 232	142 033
Provision for Staff Leave	3 333 701	3 089 625
Staff Bonuses accrued	960 693	1 088 126
Total Current Employee Benefits	4 988 903	4 824 373

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	3 089 624	3 886 973
Contribution to current portion	1 319 384	(617 500)
Expenditure incurred	(1 084 318)	(288 646)
Balance at end of year	3 333 700	3 089 624

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued

Balance at beginning of year	1 088 126	967 838
Contribution to current portion	1 776 507	1 830 201
Expenditure incurred	(1 906 940)	(1 730 013)
Balance at end of year	960 693	1 088 126

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

7

PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4

Total Provisions

	-	-
	-	-

8

PAYABLES FROM EXCHANGE TRANSACTIONS

	2018 R	2017 R
Trade Payables		
Pre-Paid Electricity	34 101 129	39 825 618
Retentions and Guarantees	287 156	183 195
Debtors paid in advance	2 802 889	2 437 237
Other payables	1 482 533	1 845 419
Total Trade Payables	8 623 683	9 716 482
	48 287 482	63 818 860

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.



UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants

National Government Grants
Provincial Government Grants
Other Grant Providers

	12 685 898	10 279 188
	2 110 521	2 297 950
	8 304 783	5 482 528
	2 470 592	2 498 714
	12 885 898	10 279 188

Total Conditional Grants and Receipts

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10

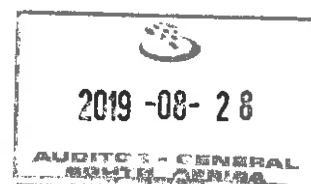
TAXES

NET VAT RECEIVABLE(PAYABLE)

VAT is receivable/payable on the cash basis.

Total Net Taxes Receivables

	4 705 045	4 813 734
	4 705 045	4 813 734



2019-08-28
AUDITOR - GENERAL
SOUTH AFRICA

MANNALAND MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30 JUNE 2017

	Cost													Carrying value				
	Opening Balance	Correction of errors	Revised Opening Balances	Additions	Transfers	Work in progress	Disposal/Write off	Closing Balance	Opening Balance	Depreciation Charge	Correction of errors	Revised Depreciation	Disposal of Assets	Correction of errors	Revised Depreciation	Closing Balance	Opening Balance	Closing Balance
Land and Buildings	8 822 878	-	9 822 878	-	-	-	-	9 822 878	1 102 169	149 384	(56 742)	83 842	-	-	-	1 154 611	7 049	1 161 580
Land	5 340 611	913 905	5 654 516	-	-	-	-	5 654 516	-	-	-	-	-	-	-	-	-	-
Buildings	4 222 068	(513 305)	3 708 763	-	-	-	-	3 708 763	1 102 150	149 394	(96 742)	82 842	-	-	-	1 154 631	7 049	1 161 580
Infrastructure	373 484 803	(0)	373 484 803	6 847 480	-	18 238 251	-	386 372 537	111 390 845	9 038 678	13 868	9 022 877	-	-	-	120 822 180	519 807	121 341 987
Electricity	82 895 812	5 830 094	88 725 906	2 375 540	-	9 473 842	-	108 525 862	23 652 348	1 868 834	20 374	1 817 178	-	-	-	27 510 527	228 555	27 739 082
Road Transport	73 598 709	7 919 083	81 417 792	4 280 731	-	4 596 852	-	23 512 125	2 512 512	2 512 512	-	2 512 512	-	-	-	26 149 640	2 286	26 151 926
Stationery	78 954 927	2 623 005	82 739 402	-	-	1 611 714	-	84 403 515	23 654 125	2 512 512	-	2 512 512	-	-	-	30 231 757	74 113	30 305 870
Other	719 106	33 000	752 106	-	-	-	-	752 106	130 537	44 271	-	44 271	-	-	-	174 858	-	174 858
Water Supply	120 342 186	(315 315)	120 026 871	19 890	-	161 740	-	120 208 415	34 505 835	2 319 023	(9 516)	2 315 507	-	-	-	36 559 335	216 844	36 776 179
Work in progress	18 053 781	(16 523 781)	1 530 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	23 302 869	-	23 302 869	-	-	78 938	-	23 379 788	4 584 276	789 027	-	788 027	-	-	-	5 172 308	-	5 172 308
Community	454 654	280 251	774 915	-	-	-	-	774 915	147 862	18 442	-	16 442	-	-	-	164 256	-	164 256
Community Halls	10 426 246	-	10 426 246	-	-	-	-	10 426 246	1 218 640	288 641	-	288 641	-	-	-	1 519 521	-	1 519 521
Libraries	1 425 915	-	1 425 915	-	-	-	-	1 425 915	372 267	41 751	-	41 751	-	-	-	1 445 915	-	1 445 915
Community Centers	5 247 633	-	5 247 633	-	-	-	-	5 247 633	2 233 609	246 539	-	246 539	-	-	-	2 490 147	-	2 490 147
Parks & recreation	1 750 439	-	1 750 439	-	-	-	-	1 750 439	190 497	62 126	-	62 126	-	-	-	222 622	-	222 622
Sports Fields & Stadiums	3 294 420	-	3 294 420	-	-	78 938	-	3 373 358	850 405	89 489	-	89 489	-	-	-	3 462 847	-	3 462 847
Work in progress	460 322	(460 322)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Assets	489 285	-	489 285	-	-	-	-	489 285	241 489	187 923	-	187 923	-	-	-	126 589	-	126 589
Furniture and Other Office Equipment	489 285	-	489 285	-	-	-	-	489 285	241 489	187 923	-	187 923	-	-	-	126 589	-	126 589
Other Assets	18 580 575	183 488	18 764 063	1 833 652	-	-	-	19 597 715	5 582 189	1 687 762	126 417	1 813 579	-	-	-	6 543 035	-	6 543 035
Computers - Hardware/Equipment	1 055 055	62 187	1 117 242	54 157	-	-	-	1 233 584	522 194	178 287	41 062	219 348	-	-	-	1 554 951	-	1 554 951
Furniture and Other Office Equipment	1 233 584	119 350	1 352 934	51 615	-	-	-	1 524 819	1 298 653	138 216	49 379	1 487 585	-	-	-	1 422 866	-	1 422 866
General Vehicles	3 771 824	-	3 771 824	-	-	-	-	3 771 824	2 892 938	110 593	-	1 181 563	-	-	-	2 703 461	-	2 703 461
Other	48 107	(48 107)	-	-	-	-	-	-	4 138	2 868	(8 185)	4 137	-	-	-	0	-	0
Plant & equipment	9 827 282	1 028 338	10 855 620	43 908	-	-	-	11 883 958	1 103 555	128 520	42 171	1 231 251	-	-	-	1 309 899	-	1 309 899
Specialized Vehicles	578 317	(578 317)	-	1 473 974	-	-	-	1 473 974	21 819	21 819	-	21 819	-	-	-	21 819	-	21 819
Work in progress	425 800 481	183 488	426 583 969	8 301 112	-	16 318 188	(2 280 235)	446 015 732	154 579 738	11 812 175	43 833	11 855 788	-	-	-	158 898 582	628 858	159 527 440

2019-08-23
AUDITOR - GENERAL
MANILA, PHILIPPINES

11	Assets pledged as security:	2018	2017
11.1	All the assets obtained by financial leases are pledged as security. Carrying value of these assets :	(0)	53 727
	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)		
	Carrying value of assets written off/lost		
	Deficit	-	-
11.2	Effect of changes in accounting estimates		
	During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised. The effect on the current and future periods are as follow :		
		2018 R	2019 R
	Increase in Accumulated Depreciation: Property, plant and equipment		2020 R
	Land and Buildings	328	658
	Infrastructure	558 461	1 116 922
	Community Assets	78 023	12 416
	Other Assets	12 170	(16 777)
11.3	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Other Assets		1 446 520
	Lease Assets		12 253
	Infrastructure		2 106 276
	Buildings	4 183	7 046
		4 183	3 672 127
11.4	Property, Plant and Equipment which is in the process of being constructed or developed:		
	Infrastructure Assets	33 508 890	24 550 944
	Electricity	20 228 028	14 468 122
	Water Supply	6 052 852	2 851 913
	Sanitation	7 228 806	7 228 806
	Community Assets	4 483 849	463 322
	Total Property, Plant and Equipment under construction	37 892 745	25 014 283
11.5	Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
	Infrastructure Assets	33 508 890	30 701 485
	Roads (The Upgrading of Queen Street Taxi Route)	-	610 307
	Roads (Zoar upgrading of gravel roads)	-	4 885 852
	Electricity (Electrification of Shacks in Nisserville)	-	521 351
	Electricity (Surya Powers)	4 487 929	4 487 929
	Electricity (Electrification of Houses in Calitzdorp)	15 728 100	9 871 183
	Water Supply (Store Item)	-	33 000
	Water Supply (Swartberg dam)	2 851 913	2 851 913
	Sanitation (Laderneth Waste water treatment works)	7 064 056	7 064 056
	Sanitation (Upgrade of Laderneth Waste water treatment works)	166 854	166 854
	Zoar Water Retention Upgrade	1 777 121	-
	Drought relief	1 423 918	-
	Community Assets	4 738 947	1 618 575
	Community Assets (Zoar Cemetery)	280 251	280 251
	Community Assets (Zoar Sports Fields Rehab)	128 085	128 085
	Community Assets (Upgrading of sport fields in Calitzdorp)	4 317 511	123 912
	Kenneland Installation of Water Meters (MIG)	-	878 317
	Reasons:		
	Legal constraints and turnover of senior key personnel		



11.4

Expenditure incurred to repair and maintain Property, Plant and Equipment

	2018 R	2017 R
Employee related costs	8 413 982	4 276 144
Other materials	1 107 657	1 563 117
Contracted Services	828 065	-
Total Repairs and Maintenance	10 450 194	6 859 262

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INVESTMENT PROPERTY**Net Carrying amount at 1 July**

	2018 R	2017 R
Cost	2 183 170	2 183 170
Accumulated Depreciation	(486 355)	(486 355)
Accumulated Impairment	(17 317)	(17 317)
Net Carrying amount at 1 July	1 689 498	1 748 706
Cost	2 183 168	2 183 170
Accumulated Depreciation	(571 774)	(486 355)
Accumulated Impairment	(17 317)	(17 317)

Impairment charges on Investment Properties recognised in statement of financial performance
There are no restrictions on the realizability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property

Operating expenditure incurred on properties generating revenue

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.
This effect on the current and future periods are as follow :

	2018 R	2019 R	2020 R
Increase in Accumulated Depreciation: Investment Properties	59 034	114 883	108 869

13

INTANGIBLE ASSETS**Computer Software****Net Carrying amount at 1 July**

	2018 R	2017 R
Cost	619 490	619 489
Accumulated Amortisation	(518 983)	(460 784)
Additions	-	-
Amortisation	(28 422)	(28 200)
Impairments	-	-
Disposals	(867)	-
Net Carrying amount at 30 June	71 418	100 506
Cost	618 157	619 490
Accumulated Amortisation	(544 740)	(518 883)
Accumulated Impairments	-	-

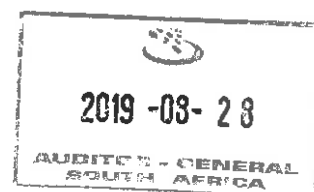
The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2018 R	2017 R
Microsoft Office and Windows software	5-10 years	71 418	100 506

No intangible asset assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.



There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Effect of changes in accounting estimates

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilized.

The effect on the current and future periods are as follow :

	2018 R	2019 R	2020 R
Decrease in Accumulated Depreciation	333	335	334

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INVENTORY

Consumable Stores - Stationery and materials - At cost

Water - at cost

Total Inventory

81 472	342 138
94 737	110 861
176 210	452 999

Consumable stores materials written down due to losses as identified during the annual stores counts.

-	-
---	---

Consumable stores materials surpluses identified during the annual stores counts.

-	230 743
---	---------

Inventory recognised as an expense during the year

527 021	738 314
---------	---------

No inventory assets were pledged as security for liabilities.

CAPITALIZED RESTORATION COST

Net Carrying amount at 1 July

3 798 060	4 678 673
-----------	-----------

Acquisitions

Additions

Depreciation

Change in estimate

Impairment

(781 513)	(781 512)
-----------	-----------

Net Carrying amount at 30 June

3 016 547	3 798 060
-----------	-----------

Cost

Accumulated Depreciation

Accumulated Impairments

11 859 278	11 859 278
(8 842 732)	(8 061 218)

Refuse tip-ster financed by way of a provision - Refer to note 4

3 016 547	3 798 060
-----------	-----------

RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018 R	2017 R
Electricity	2 857 116	3 627 778
Water	14 569 788	18 839 443
Refuse	10 597 054	16 917 656
Sewerage	10 377 321	16 567 240
Rentals	62 957	62 096
Sundry Receivables	1 273 019	1 243 908
Total Receivables from Exchange Transactions	39 737 256	57 478 121
Less: Allowance for Doubtful Debts	(36 241 302)	(53 270 640)
Total Net Receivables from Exchange Transactions	3 495 955	4 207 481

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:**(Electricity): Ageing**

Current (0 - 30 days)		
31 - 60 Days	675 198	2 162 274
61 - 90 Days	82 832	84 658
+ 90 Days	67 326	86 871
Total	2 031 619	1 450 776

(Water): Ageing

Current (0 - 30 days)		
31 - 60 Days	831 605	1 542 697
61 - 90 Days	446 147	554 873
+ 90 Days	471 865	573 672
Total	13 017 072	16 266 130

(Refuse): Ageing

Current (0 - 30 days)		
31 - 60 Days	484 584	449 717
61 - 90 Days	332 383	315 384
+ 90 Days	306 752	266 344
Total	9 471 325	15 754 212

(Sewerage): Ageing

Current (0 - 30 days)		
31 - 60 Days	512 716	467 286
61 - 90 Days	325 519	290 003
+ 90 Days	301 787	273 518
Total	6 237 289	15 556 434

(Rentals): Ageing

Current (0 - 30 days)		
31 - 60 Days	2 626	2 310
61 - 90 Days	1 821	1 874
+ 90 Days	1 746	1 873
Total	56 664	56 039

(Sundry): Ageing

Current (0 - 30 days)		
31 - 60 Days	77 431	46 394
61 - 90 Days	24 617	61 785
+ 90 Days	25 222	23 589
Total	1 145 549	1 112 129

(Totals): Ageing

Current (0 - 30 days)		
31 - 60 Days	2 384 112	4 700 547
61 - 90 Days	1 216 620	1 318 785
+ 90 Days	1 176 807	1 261 071
Total	34 858 716	50 197 718

Reconciliation of Provision for bad debts

Balance at beginning of year	53 270 541	33 236 142
Contribution to provision/(Reversal of provision)	(17 029 239)	20 034 399
Balance at end of year	36 241 302	53 270 541

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018 R	2017 R
Rates	21 589 425	19 326 799
Other Receivables	7 823 434	12 903 742
Suspense Debtors	7 823 434	12 903 742
Total Receivables from Non-Exchange Transactions	29 412 859	32 230 541
Less: Allowance for Doubtful Debts	(26 750 078)	(29 305 416)
Total Net Receivables from Non-Exchange Transactions	2 662 781	2 925 125

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Included in Suspense Debtors is outstanding traffic fines receivable which is assessed for impairment based on expected future cash flows. A provision for doubtful debts of R8 170 668 (2017: R11 606 068) was raised against the gross amount receivable.

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	816 293	780 641
31 - 60 Days	396 254	347 765
61 - 90 Days	318 245	303 922
+ 90 Days	20 357 523	17 814 871
Total	21 589 425	19 326 800

Reconciliation of Provision for Bad Debts

Balance at beginning of year	29 305 416	19 284 009
Contribution to provision	7 527 570	10 021 406
Traffic Fines Written Off	(10 063 008)	-
Balance at end of year	26 750 078	29 305 416

Concentrations of credit risk with respect to non-exchange receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non-trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's non-exchange receivables.

OPERATING LEASE ARRANGEMENTS

18.1

The Municipality as Lessor (Asset)

Balance on 1 July	45 684	43 765
Movement during the year	(14 503)	2 189
Balance on 30 June	31 181	45 954

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	103 354	359 532
1 to 5 Years	181 206	254 860
More than 5 Years	-	25 342
Total Operating Lease Arrangements	284 570	639 734

This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until December 2023.

The municipality does not engage in any sub-lease arrangements. The municipality did not pay any contingent rent during the year.

18.2

The Municipality as Lessee (Liability)

Balance on 1 July	-	-
Movement during the year	5 750	-
Balance on 30 June	5 750	-

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	88 600	-
1 to 5 Years	113 100	-
More than 5 Years	-	-
Total Operating Lease Expenditure	201 700	-

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which have an undetermined conditional expenditure.



CASH AND CASH EQUIVALENTS**Assets**

Call Investments Deposits
Bank Accounts
Cash Floats

Total Cash and Cash Equivalents - Assets**2018**
R**2017**
R

31 916	31 420
1 508 480	241 456
4 500	4 500
1 544 908	277 376

Cash and cash equivalents comprise of cash held and short-term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts Bank statements

Standard Bank Current account - Account number 420543546
Standard Bank Current account - Account number 420543554
Standard Bank Current account - Account number 420543562

1 094 381	1 112 416
222 268	10 801
141 810	64 481
1 458 459	1 187 698

Call Investments statements

Standard Bank Call Deposit - Account number 288798546

31 916	31 420
31 916	31 420

Current Accounts

Cash book balance at beginning of year
Cash book balance at end of year

241 456	483 776
1 508 480	241 456

Bank statement balance at beginning of year
Bank statement balance at end of year

1 187 698	298 733
1 458 478	1 187 698

NON CURRENT INVESTMENTS

Fixed Deposits

2018
R**2017**
R

17 755	17 755
--------	--------

Total Non-Current Investments

17 755	17 755
---------------	---------------



PROPERTY RATES**Actual****Rateable Land and Buildings****Rateable Land and Buildings****Less: Rebates****Total Assessment Rates****2018
R****2017
R**

21 188 583

18 671 568

21 188 583

18 671 568

3 655 089

3 771 738

17 243 524

14 898 827

Valuations - 1 JULY 2014 (Plus Interim Valuations)**Rateable Land and Buildings****Residential Properties - Sec 8(2)(a)****Industrial Properties - Sec 8(2)(b)****Business and Commercial Properties - Sec 8(2)(c)****Farm Agricultural Properties - Sec 8(2)(d)(i)****Church****Nature Reserve****General****State Owned - Sec 8(2)(g)****Municipal Owned - Sec 8(2)(h)****Total Assessment Rates**

519 451 500

519 878 000

28 283 000

28 463 000

118 787 000

100 981 000

1 514 718 080

1 669 078 000

44 020 000

36 373 000

50 268 000

64 430 000

18 141 000

50 209 000

108 823 000

43 527 000

58 327 500

60 826 000

2 460 801 080

2 463 244 000

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013.

Rates:**Residential****Business and Commercial****State Owned****Agricultural**

1.3095c/R

1.2128c/R

2.3885c/R

2.2128c/R

2.3885c/R

2.2128c/R

0.3276c/R

0.3084c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which have subsequently been forgone by way of rebate or remission.

22

GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants****Equitable Share**

24 023 000

22 840 000

24 023 000

22 840 000

Conditional Grants**Grants and donations**

34 759 601

48 355 618

34 759 601

48 355 618

Total Government Grants and Subsidies

58 782 601

68 285 618

Government Grants and Subsidies - Capital**Government Grants and Subsidies - Operating**

20 479 121

22 983 286

38 303 480

45 302 332

58 782 601

68 285 618

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Community Services**Corporate Services****Executive Council****Financial Services****Technical Services**

1 212 000

-

8 381 101

-

77 853

52 070

4 073 285

46 302 948

21 015 583

-

34 759 601

48 355 618

The municipality does not expect any significant changes to the level of grants.

22.1

Equitable share**Opening balance****Grants received****Conditions met - Operating****Conditions still to be met**

-

-

24 023 000

22 840 000

(24 023 000)

(22 840 000)

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 106 of 1996) to the municipality by the National Treasury.

22.2

Expanded Public Works Program (EPWP)**Opening balance****Circular 79 - self funding****Grants received****Conditions met - Operating****Conditions met - Capital****Conditions still to be met**

2 812

(3 000)

1 000 000

1 000 000

(1 000 000)

(889 612)

-

-

-

-

Job creation projects in previous disadvantage areas

22.3

Local Government Financial Management Grant (FMG)**Opening balance****Circular 78 - self funding****Grants received****Conditions met - Operating****Conditions met - Capital****Conditions still to be met**

147 890

2 145 000

1 810 000

(2 145 000)

(1 882 010)

147 890

147 890

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management interns).



	2018 R	2017 R
22.4 Municipal Systems Improvement Grant		
Opening balance	-	30 288
Circular 79 -self funding	-	-
Grants received	-	-
Conditions met - Operating	-	(1 388)
Conditions met - Capital	-	(28 900)
Conditions still to be met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and establish institutional and governance systems.		
22.5 Municipal Infrastructure Grant (MIG)		
Opening balance	-	1 264 858
Circular 79 -self funding	-	(110 000)
Grants received	10 370 000	8 803 000
Conditions met - Operating	(518 500)	(382 381)
Conditions met - Capital	(8 898 479)	(10 576 278)
Grant expenditure to be recovered	1 165 030	-
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
22.6 Housing Grants		
Opening balance	-	-
Grants received	-	-
Conditions met - Operating	6 172 625	12 900 068
Conditions met - Capital	(6 172 625)	(12 900 068)
Grant expenditure to be recovered	-	-
Housing grants was utilised for the development of erven and the erection of top structures.		
22.7 Other Grants		
Opening balance	10 131 205	7 833 316
Circular 78 -self funding	-	(468 000)
Grants received	18 930 646	23 320 200
Repaid	(1 252 000)	-
Conditions met - Operating	(4 444 355)	(4 428 049)
Conditions met - Capital	(11 782 652)	(15 825 288)
Conditions still to be met	11 582 844	10 131 205
22.8 Total Grants		
Opening balance	10 279 189	8 930 873
Grants received	82 641 274	71 173 267
Circular 79 -self funding	-	(582 000)
Repaid	(1 252 000)	-
Conditions met - Operating	(38 303 480)	(42 713 506)
Conditions met - Capital	(20 479 121)	(26 526 442)
Conditions still to be met	12 885 866	10 279 189
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	12 885 866	10 279 189
The balance of R12.9 million includes an amount for R10.2 million for historical conditional grants that are not cash-backed and for which it could not be said that the municipality would spend those grants of R10.2 million in the year under review. Accordingly, the underspending conditional grants for the 2017-18 financial year only amounted to R2.7 million, excluding the non-cash-backed amount of R10.2 million. In view of the financial difficulties facing the municipality, the R10.2 million was not available for spending in the financial year under review. The municipality is in discussions with the respective departments to find a solution to the conditional grants not cashed-back as part of the financial recovery process.	12 885 866	10 279 189

	2018 R	2017 R
SERVICE CHARGES		
Electricity	44 660 299	42 354 600
Water	13 059 810	11 995 034
Refuse removal	4 384 875	5 347 383
Sewerage and Sanitation Charges	6 624 309	5 833 261
Total Service Charges	68 729 293	65 531 167
OPERATIONAL REVENUE		
Sale of Property	-	60 615
Pension and UIF Contributions recovered	-	1 988
Administrative Handling Fees	4 762	-
Commission	11 096	-
Request for Information	556	-
Collection Charges	146 013	-
Inspection Fees	-	26
Insurance claims	853 856	-
Incidental Cash Surpluses	535	2 146
Total Other Income	1 016 808	64 774



EMPLOYEE RELATED COSTS

Salaries and Wages	33 479 958	33 924 372
Contributions for UIF, pensions and medical aids	5 497 503	5 360 677
Travel, motor car, accommodation, subsistence and other allowances	3 410 295	3 785 461
Group Insurance	72 611	36 105
Contribution to provision - Post Retirement Medical	(1 016 991)	539 417
Current service cost	496 185	482 588
Interest Cost	1 032 885	1 024 808
Actuarial Gains/Losses	(2 608 031)	(976 089)
Contribution to provision - Long Service Awards	171 276	74 837
Current service cost	144 305	138 646
Interest Cost	125 617	120 431
Actuarial Gains/Losses	(88 647)	(184 438)
Housing benefits and allowances	203 597	377 802
Overtime Payments	1 350 150	1 386 773
Standby	1 250 218	1 084 757
Bonus	1 778 527	1 835 323
Cellphone allowance	126 530	77 460
Staff Leave	1 318 384	(817 500)
Total Employee Related Costs	47 894 047	47 843 483

KEY MANAGEMENT PERSONNEL

Municipal Manager and CFO are appointed on a contract basis. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager		
Annual Remuneration	1 005 339	2 004 627
Performance Bonus	-	-
Car Allowance	72 212	31 017
Contributions to UIF, Medical, Pension Funds and Bargaining Council	86 772	9 063
Leave	58 964	91 398
Cell phone allowance	37 680	9 420
Travelling reimbursement	38 867	-
Total	1 297 874	2 145 514

Remuneration of the Chief Financial Officer

Annual Remuneration	768 072	826 303
Car Allowance	66 000	40 000
Performance Bonus	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	22 211	14 306
Cell phone allowance	20 000	9 780
Leave	58 611	197 245
Travelling reimbursement	30 699	-
Total	985 092	1 087 516

Remuneration of the Head of Corporate Services

Annual Remuneration	866 414	900 162
Car Allowance	133 086	133 086
Performance Bonus	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	230 049	196 524
Housing	8 904	8 804
Leave paid	37 170	-
Bonus	-	70 767
Travelling reimbursement	653	-
Total	1 376 276	1 309 443

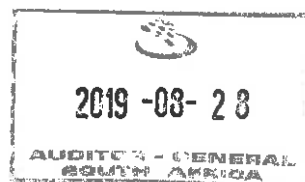
Remuneration of the Head Technical Services

Annual Remuneration	61 926	-
Performance Bonus	-	-
Car Allowance	10 000	-
Contributions to UIF, Medical, Pension Funds, SDL, Group Life and Bargaining Council	157	-
Leave	-	-
Cell phone allowance	2 500	-
Travelling reimbursement	3 000	-
Total	77 583	-

2019-03-23

AUDITOR - GENERAL
SOUTH AFRICA

26	REMUNERATION OF COUNCILLORS		
	Executive Mayor allowance	789 653	697 125
	Deputy Executive Mayor allowance	377 003	353 656
	Speaker allowance	640 804	571 900
	Councillors' allowances	1 114 014	890 422
	Councillors' other allowances	19 724	-
	Total Councillors' Remuneration	2 940 997	2 613 103
	In-kind Benefits		
	The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.		
27	IMPAIRMENT (LOSS/REVERSAL OF IMPAIRMENT LOSS) on RECEIVABLES		
	Trade Receivables from non-exchange transactions	7 527 670	10 021 406
	Trade Receivables from exchange transactions	(17 026 289)	20 034 369
	Taxes	-	-
	VAT	2 221 205	(2 646 409)
		(7 280 384)	37 409 396
28	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	11 509 445	11 826 010
	Investment Property	105 418	50 207
	Intangible Assets	26 422	26 200
	Landfill Sites	761 513	761 512
		12 418 798	12 663 928
29	IMPAIRMENT LOSS/ REVERSAL of IMPAIRMENT LOSS on FIXED ASSETS		
	Property Plant & Equipment	4 183	530 373
	Investment Properties	-	-
	Intangible assets	-	-
		4 183	530 373
30	FINANCE COSTS		
	Other	-	-
	Long-term Liabilities	1 748 047	1 339 875
	Landfill Sites	329 023	383 183
		1 421 452	1 440 683
	Total finance charges	3 498 522	3 173 761
31	BULK PURCHASES		
	Electricity	32 105 711	26 188 725
	Water	474 835	358 780
	Total Bulk Purchases	32 680 546	26 547 505
32	CONTRACTED SERVICES		
	Accounting and Auditing	3 579 116	1 419 756
	Business and Financial Management	2 446 080	696 000
	Catering Services	19 202	-
	Electrical	-	40 456
	Entertainment	-	17 898
	Housing	6 212 555	19 353 906
	Legal Advice and Litigation	1 798 732	1 173 370
	Maintenance of Buildings and Facilities	227 641	285 286
	Maintenance of Equipment	216 810	70 427
	Maintenance of Unspecified Assets	464 415	285 094
	Medical	1 897	650
	Marketing	-	155 088
	Meter Management	315 314	-
	Organisational	1 346 201	1 148 962
	Research and Advisory	-	22 136
	Refuse Removal	(1 258)	-
	Security Services	(25 746)	-
	Traffic Fine Management	338 276	462 552
	Prepaid Electricity Vendors	142 713	-
	Water	44 647	-
	Total	17 146 662	19 364 681



33

OPERATIONAL COSTS	2016 R	2017 R
Advertising, Publicity and Marketing		
Assets less than the Capitalisation Threshold	112 078	160 773
Bank Charges, Facility and Card Fees	27 993	-
Commission	208 083	235 895
Courier and Delivery Services	444 677	648 676
Deaths		529
Entertainment	31 677	24 802
External Audit Fees	28 146	28 710
External Computer Service		1 639 237
Fines and Penalties		-
Hire Charges		3 000
Insurance Underwriting		746 902
Landfill Sites	296 996	153 673
Membership	248 950	
Motor Vehicle Licence and Registrations	409 473	
Municipal Services	78 075	26 562
Personal Agency Fees	2 240 459	2 638 426
Postage/Stamp/Franchising Machine		8 956
Printing, Publications and Books	222 484	525 318
Professional Bodies, Membership and Subscription	234 187	52 694
Remuneration to Ward Committees	37 008	700 235
Road Worthy Test		1 152 292
Signage		21 374
Skills Development Fund Levy		11 328
SMS Bulk Message Service	337 031	358 149
Software Licences	67 682	-
Staff Recruitment	760 225	901 802
Telephone, Fax, Telegraph and Telex	92 400	-
Travel and Subsistence	856 164	887 316
Uniform and Protective Clothing	1 302 734	1 468 900
Wet Fuel	29 800	2 831
Workmen's Compensation Fund	1 054 326	836 585
Total Operational Costs	9 109 431	13 639 789

34

Inventory Consumed

Consumables	83 548	2 240 186
Materials and Supplies	1 157 649	12 385
	1 241 196	2 252 571

35

Transfers and Subsidies

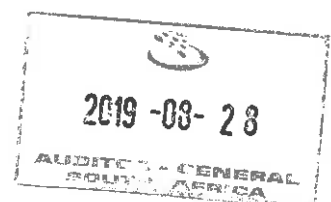
Special projects	160 935	46 788
Tourism development	142 807	455 100
	303 742	501 888

36

CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RE-CLASSIFICATIONS**Prior year adjustments due to non-compliance with accounting policy and errors**

36.1

- (i) During the year, prior years and previous year transactions incorrectly levied, have been corrected and has resulted to the following corrections:
(Di) Accumulated Surplus - Prior years R53 037.73 (Ci) Receivables from non-exchange transactions R12 571.51 (Ci) Receivables from exchange transactions R40 466.22, (Ci) Accumulated Surplus-current year (Sewerage -R3456.86, Water R195485.28, Electricity -R424213.09, Refuse R33.32)
(Di) Receivables from exchange transactions R232 151.37
- (ii) During the year, prior years and previous year transactions incorrectly levied, have been corrected and has resulted to the following corrections:
(Di) Accumulated Surplus - Prior years R57 155.26 (Ci) Receivables from non-exchange transactions R840 (Ci) Receivables from exchange transactions R56 316.26, (Di) Accumulated Surplus-current year (Sewerage R2116.96, Water -R14206.50, Sundry R26185.98, Refuse R5809.26)
(Ci) Receivables from exchange transactions R22 005.70
- (iii) With the annual asset count, assets were found which were previously not included in the asset register. These assets are now for the first time recognised at fair value and amounted to R 183 487.94 (cost) R125 417.19 depreciation. This error is now retrospectively corrected with the following entries: (Di) PPE R183 487.94 (Ci) Accumulated Surplus-prior years R 183 487.94 (Di) Accumulated Surplus- prior years R108 892.87 (Ci) PPE Accumulated Depreciation, (Di) Accumulated Depreciation -current year (depreciation) R17 524.32 (Ci) PPE- Accumulated Depreciation R17 524.32
- (iv) With the Asset register review it was found that an electrical infrastructure project which was completed during 2015/16 Financial year, was erroneously indicated as Work in Progress during the previous financial year. This error is now corrected retrospectively with the following entries (Di) PPE -Infrastructure (electricity) R521 361 (Ci) PPE -Work in Progress R521 361, (Ci) PPE Accumulated Depreciation R13 858 (Di) Accumulated surplus -prior years R5 118 (Di) Accumulated Surplus -current year (depreciation) R8 742
- (v) In the previous year an amount of R7 049 for impairment on buildings, was erroneously included under Investment Property, it was for buildings under PPE. This error is now corrected with the following entries: (Ci) Provision for Impairment PPE (Di) Provision for Impairment - Investment Properties
- (vi) The actuarial consultant has indicated in the 2017/18 Long Service Award Report that due to incorrect earnings information submitted in the past, that the previous years calculations of the liability for the provision for Long Service Awards was incorrectly calculated. The error is corrected in the latest report for 2017/18 with an adjustment to changes in the earnings types which now resulting as a correction of error and not a change in estimates. This error is now corrected with the following entries: (Di) Accumulated Surplus R529 131 (Ci) Employee Benefits- Long service Awards R529 131
- (vii) VAT to the value of R12 092 715.90, which has incorrectly accumulated, was written off during the previous year. It was written off due to the fact that SARS records don't reflect any amounts payable to the municipality and also that it could not be claimed from SARS in terms of the Prescriptions Act. The amount was written off against the Accumulated Surplus. The Auditors General has however qualified the write off because no supporting evidence was available at the time of the audit.
With the reconciliation of the debtors control accounts, it was found that the VAT component of the debtors was incorrectly included in the VAT receivable account for 2016 and 2017 financial years, with the result that the Taxes and the Accumulated surplus was overstated in the previous financial year with R4 763 747.28 (2016) and R5 738 026.39 (2017) respectively. The previous year write off is now adjusted with the following entries:
(Ci) Accumulated Surplus-prior years R1 570 841.72 (Di) VAT R1 570 841.72
- (viii) Due to incorrect classifications between Land and Buildings, depreciation was erroneously calculated on land. This error is now retrospectively corrected with the following entries: (Ci) Accumulated Surplus-prior years R88 024.79 (Ci) Accumulated Surplus-current year (depreciation) R8 717.05 (Di) Accumulated Depreciation R96 741.84



- (ix) In the previous year an impairment loss of R3 565 078 on Property, plant and equipment was incorrectly recognised. The municipality recognised the impairment loss in relation to assets in a poor condition, without appropriately determining the assets' recoverable service amounts as required by GRAP 21. The effect of the reversal of this impairment loss is an increase (Dt) in Property, plant and equipment by R3 565 078 and a decrease (Cr) in impairment expense by the same amount.

Included in the impairment loss were assets that could not be located during the annual asset count. These assets were reclassified from: impairment loss to Gain/(Loss) on Sale of Fixed Assets. Total assets written off amounted to R723 735.

Subsequently the recoverable service amounts of the assets in poor condition were determined. As a result, impairment losses of R528 856 were recognised for assets whose carrying value exceeded their recoverable service amounts. The effect of this impairment loss is the increase in impairment expense by R528 856 (Dt) and the decrease in Property, plant and equipment (Cr) by the same amount.

As a result of above corrections of impairment, additional depreciation of R1 167 040 was recognised. This resulted in the increase in Depreciation (Dt) expense by R1 167 040 and the decrease in Property, plant and equipment (Cr) by the same amount.

- (x) 5 Properties were incorrectly valued at R1 on the fixed asset register. The municipality recognised these properties in terms of Directive 7 at deemed cost. The correction resulted in the increase of Property, plant and equipment by R29 939 (Dt) and the increase in Opening Accumulated surplus by the same amount (Cr).
- (xi) An adjustment of R8 296 218 was made to the municipality's ESCOM account. This adjustment relates to transactions during the 2015/16 financial year which were ring-fenced by a repayment agreement. The municipality incorrectly derecognised these transactions during the various corrections that were made with the 2017 financial statements. The correction of this error results in the increase in Payables from exchange transactions by R8 296 218 (Cr) and the decrease in opening accumulated surplus by R8 296 218.

The above note 36.1 representing the narratives of the following Corrections of Errors as set out from notes 36.2 to 36.9

36.2	Accumulated Surplus	2017	2016
		R	R
	Balance previously reported		
	Correction of error-(see note 36.1.(i))	226 576 209	220 713 489
	Correction of error-(see note 36.1.(j))	(53 036)	(53 036)
	Correction of error-(see note 36.1.(k))	232 151	-
	Correction of error-(see note 36.1.(l))	(57 155)	(57 155)
	Correction of error-(see note 36.1.(m))	(22 006)	-
	Correction of error-(see note 36.1.(n))	183 488	183 488
	Correction of error-(see note 36.1.(o))	(126 417)	(108 893)
	Correction of error-(see note 36.1.(p))	(13 858)	(5 116)
	Correction of error-(see note 36.1.(q))	(529 131)	(529 131)
	Correction of error-(see note 36.1.(r))	1 570 942	1 570 942
	Correction of error-(see note 36.1.(s))	86 742	88 025
	Correction of error-(see note 36.1.(t))	29 939	29 939
	Restated balance 30 June 2017	<u>(8 296 218)</u>	<u>(8 296 218)</u>
		221 690 848	213 546 342
36.3	EMPLOYEE BENEFITS		
	Balance previously reported		
	Correction of error-(see note 36.1.(v))	13 162 782	13 036 205
	Restated balance 30 June 2017	<u>529 131</u>	<u>529 131</u>
		13 691 913	13 565 336
36.4	TAXES		
	Balance previously reported		
	Correction of error-(see note 36.1.(w))	3 342 782	(861 948)
	Restated balance 30 June 2017	<u>1 570 943</u>	<u>1 570 942</u>
		4 913 725	88 995
36.5	Property Plant and Equipment		
	Balance previously reported		
	Correction of error-(see note 36.1.(u))	311 698 588	301 190 602
	Correction of error-(see note 36.1.(v))	193 488	193 488
	Correction of error-(see note 36.1.(w))	(126 417)	(108 893)
	Correction of error-(see note 36.1.(x))	(13 858)	(5 116)
	Correction of error-(see note 36.1.(y))	(7 049)	-
	Correction of error-(see note 36.1.(z))	96 742	88 025
	Correction of error-(see note 36.1.(aa))	3 572 127	-
	Correction of error-(see note 36.1.(ab))	(526 656)	-
	Correction of error-(see note 36.1.(ac))	(1 167 040)	-
	Correction of error-(see note 36.1.(ad))	(723 736)	-
	Correction of error-(see note 36.1.(ae))	29 939	29 939
	Restated balance 30 June 2017	<u>312 924 128</u>	<u>301 367 946</u>
36.6	Investment Property		
	Balance previously reported		
	Correction of error-(see note 36.1.(af))	1 692 448	1 749 705
	Restated balance 30 June 2017	<u>7 249</u>	<u>1 749 705</u>
36.7	Receivables from exchange transactions		
	Balance previously reported		
	Correction of error-(see note 36.1.(ag))	4 094 216	13 991 245
	Correction of error-(see note 36.1.(ah))	(40 496)	(40 465)
	Correction of error-(see note 36.1.(ai))	232 151	-
	Correction of error-(see note 36.1.(aj))	(58 315)	(58 315)
	Restated balance 30 June 2017	<u>(22 006)</u>	<u>-</u>
		4 297 560	13 894 465
36.8	Receivables from non exchange transactions		
	Balance previously reported		
	Correction of error-(see note 36.1.(ak))	2 838 637	3 463 866
	Correction of error-(see note 36.1.(al))	(12 572)	(12 572)
	Restated balance 30 June 2017	<u>(840)</u>	<u>(840)</u>
		2 825 126	3 440 483
36.9	Payables from exchange transactions		
	Balance previously reported		
	Correction of error-(see note 36.1.(am))	46 622 742	62 688 824
	Restated balance 30 June 2017	<u>8 296 218</u>	<u>8 296 218</u>
		54 919 560	70 985 042



36.9

Statement of Performance

Balance previously reported	7 881 708
Correction of error-(see note 36.1.(i))	232 151
Correction of error-(see note 36.1.(ii))	(22 008)
Correction of error-(see note 36.1.(iii))	(17 524)
Correction of error-(see note 36.1.(iv))	(8 742)
Correction of error-(see note 36.1.(v))	8 717
Correction of error-(see note 36.1.(vi))	3 572 127
Correction of error-(see note 36.1.(vii))	(528 858)
Correction of error-(see note 36.1.(viii))	(1 187 040)
Correction of error-(see note 36.1.(ix))	(723 736)
	1 347 291
Effect on Service Charges	210 145
Effect on Depreciation and Amortisation	(1 184 689)
Effect on (Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	3 045 471
Effect on Gains/(Loss) on Sale of Fixed Assets	(723 736)
Total	8 286 999

RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

37

37.01

RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

Revenue from Non-exchange Transactions

Taxation Revenue

Property taxes

Other taxation revenue

Property Rates

Transfer Revenue

Government Grants and Subsidies - Capital

Government Grants and Subsidies-Operating

Public Contributions and Donations

Other Revenue

Actuarial Gains

Fines, Penalties and Forfeits

Fines

Interest Earned - non exchange transactions

Contributed Assets

Contributed Property, Plant and Equipment

Dividends Received

Revenue from Exchange Transactions

Service Charges

Rental from Fixed Assets

Rental of Facilities and Equipment

Interest Earned - external investments

Interest Earned - outstanding debtors

Interest Earned - outstanding receivables

Licences and Permits

Agency Services

Other Income

Operational Revenue

Sales of Goods and Rendering of Services

Stock Adjustments

Total Revenue

EXPENDITURE

Employee related costs

Remuneration of Councillors

Debt Impairment

Depreciation and Amortisation

Impairments/Write offs

Inventory Consumed

Interest/Dividends and Rent on Land

Repairs and Maintenance

Finance Charges

Finance Costs

Bulk Purchases

Contracted Services

Operational Costs

Transfers and Subsidies

General Expenses

Total Expenditure

Operating Surplus

Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value

(Impairment Loss)/Reversal of Impairment Loss on Receivables

(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets

Gains/(Loss) on Sale of Fixed Assets

NET SURPLUS/(DEFICIT) FOR THE YEAR

Property Taxes

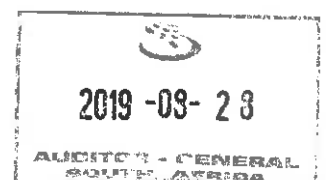
Balance previously reported

Transfer to Property Rates

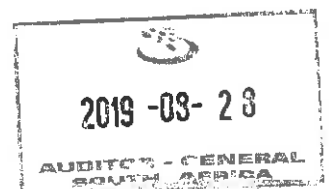
Restated balance 30/06/2017

Now reported	Previously reported
R	R
-	-
-	-
14 899 827	14 899 827
-	3 746 636
-	-
22 863 286	22 863 286
46 331 733	42 533 825
5 000	5 000
-	-
6 107 586	1 162 508
-	-
1 257 168	6 107 382
-	-
1 534 480	1 534 460
2 854	2 854
-	-
65 321 041	65 141 332
484 266	-
-	484 268
845 033	845 033
-	5 422 945
4 165 749	-
913 796	260 071
779 874	779 874
-	1 188 548
64 774	-
293 655	-
-	315 031
166 970 838	167 409 798
47 843 483	47 709 701
2 613 106	2 613 106
-	27 223 464
11 501 339	11 501 339
-	3 575 844
2 252 581	-
-	-
-	2 146 061
-	4 076 825
3 173 751	-
28 557 505	26 567 606
18 354 681	18 011 713
13 639 789	-
601 899	-
-	17 946 460
127 438 114	158 362 118
38 531 816	8 047 840
315 031	-
(27 409 395)	185 932
(3 575 844)	-
-	-
7 861 708	7 861 708
14 899 827	14 899 827
(14 899 827)	-
-	-

37.02



37.03	Property Rates	
	Balance previously reported	
	Transfer from Property Taxes	14 899 827
	Restated balance 30/06/2017	<u>14 899 827</u>
37.04	Other taxation revenue	
	Balance previously reported	3 745 838
	Transfer to Government Grants and Subsidies	(3 745 838)
	Restated balance 30/06/2017	<u>-</u>
37.05	Government Grants and Subsidies - Operating	
	Balance previously reported	42 833 825
	Transfer from Other Taxation	3 745 838
	Transfer from Other Income	52 070
	Restated balance 30/06/2017	<u>46 631 733</u>
37.06	Fines	
	Balance previously reported	6 107 362
	Transfer to Fines, Penalties and Forfeits	(6 107 362)
	Restated balance 30/06/2017	<u>-</u>
37.07	Fines, Penalties and Forfeits	
	Balance previously reported	-
	Transfer from Fines	6 107 362
	Transfer from Other Income	224
	Restated balance 30/06/2017	<u>6 107 586</u>
37.08	Contributed Assets	
	Balance previously reported	1 534 460
	Transfer to Contributed Property, Plant and Equipment	(1 534 460)
	Restated balance 30/06/2017	<u>-</u>
37.09	Contributed Property, Plant and Equipment	
	Balance previously reported	-
	Transfer from Contributed Assets	(1 534 460)
	Restated balance 30/06/2017	<u>(1 534 460)</u>
37.10	Interest Earned - outstanding debtors	
	Balance previously reported	5 422 945
	Transfer to Interest Earned-non exchange transactions	(1 257 186)
	Transfer to Interest Earned-outstanding receivables	(4 165 748)
	Restated balance 30/06/2017	<u>-</u>
37.11	Interest Earned - non exchange transactions	
	Balance previously reported	-
	Transfer from Interest Earned - outstanding debtors	1 257 186
	Restated balance 30/06/2017	<u>1 257 186</u>
37.12	Interest Earned - outstanding receivables	
	Balance previously reported	-
	Transfer from Interest Earned - outstanding debtors	4 165 748
	Restated balance 30/06/2017	<u>4 165 748</u>
37.13	Service Charges	
	Balance previously reported	65 141 332
	Transfer from Other Income	179 710
	Restated balance 30/06/2017	<u>65 321 042</u>
37.14	Rental from Fixed Assets	
	Balance previously reported	-
	Transfer from Rental of Facilities and Equipment	484 286
	Restated balance 30/06/2017	<u>484 286</u>
37.15	Rental of Facilities and Equipment	
	Balance previously reported	484 286
	Transfer to Rental from Fixed Assets	(484 286)
	Restated balance 30/06/2017	<u>-</u>
37.16	Licences and Permits	
	Balance previously reported	288 071
	Transfer from Other Income	533 725
	Restated balance 30/06/2017	<u>821 796</u>
37.17	Other Income	
	Balance previously reported	1 188 346
	Transfer to Service Charges	(179 710)
	Transfer to Licences and Permits	(633 725)
	Transfer to Sales of Goods and Rendering of Services	(288 269)
	Transfer to Operational Revenue	(57 468)
	Transfer to Government Grants	(52 070)
	Transfer to Fines, Penalties and Forfeits	(224)
	Transfer to Operational Cost	26 120
	Restated balance 30/06/2017	<u>-</u>



37.18	Operational Revenue	
	Balance previously reported	-
	Transfer from Other Income	57 488
	Restated balance 30/06/2017	<u>57 488</u>
	Reported now	
	Sale of Property	60 616
	Pension and UIF Contributions recovered	1 868
	Inspection Fees	28
	Incidental Cash Surpluses	2 146
		<u>64 774</u>
37.19	Sales of Goods and Rendering of Services	
	Balance previously reported	-
	Transfer from Other Income	289 269
	Transfer from General Expenditure	4 386
	Restated balance 30/06/2017	<u>293 655</u>
37.20	Stock Adjustments	
	Balance previously reported	-
	Transfer to Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	315 031
	Restated balance 30/06/2017	<u>(315 031)</u>
37.21	Actuarial Gains	
	Balance previously reported	-
	Transfer to Employee Related Costs	1 162 508
	Restated balance 30/06/2017	<u>(1 162 508)</u>
37.22	Employee related costs	
	Balance previously reported	-
	Transfer from General Expenses	47 706 701
	Transfer from Actuarial Gains	132 552
	Transfer from Finance Charges	(1 162 508)
	Transfer from Contracted Services	1 145 329
	Restated balance 30/06/2017	<u>47 843 483</u>
	Previously reported	
	Salaries and Wages	33 913 820
	Contributions for UIF, pensions and medical aids	5 360 677
	Travel, motor car, accommodation, subsistence and other allowances	3 631 052
	Group Insurance	38 105
	Housing benefits and allowances	377 802
	Overtime Payments	1 386 773
	Long Service Awards	138 845
	Post Retirement Medical	492 588
	Standby	1 064 757
	Bonus	1 833 323
	Cellphone allowance	71 460
	Staff Leave	(617 500)
		<u>47 706 701</u>
	Reporting now	
	Salaries and Wages	33 924 372
	Contributions for UIF, pensions and medical aids	5 360 677
	Travel, motor car, accommodation, subsistence and other allowances	3 785 461
	Group Insurance	38 105
	Contribution to provision - Post Retirement Medical	539 417
	Current service cost	492 588
	Interest Cost	1 024 899
	Actuarial Gains	(978 069)
	Contribution to provision - Long Service Awards	74 837
	Current service cost	138 845
	Interest Cost	120 431
	Actuarial Gains	(184 439)
	Housing benefits and allowances	377 802
	Overtime Payments	1 386 773
	Standby	1 064 757
	Bonus	1 833 323
	Cellphone allowance	71 460
	Staff Leave	(617 500)
		<u>47 837 483</u>
37.23	Debt Impairment	
	Balance previously reported	-
	Transfer to Impairment Loss/(Reversal of Impairment Loss) on Receivables	27 223 464
	Restated balance 30/06/2017	<u>(27 223 464)</u>
37.24	Impairment Loss/(Reversal of Impairment Loss) on Receivables	
	Balance previously reported	-
	Transfer from Debt Impairment	185 932
	Restated balance 30/06/2017	<u>27 595 327</u>
37.25	General Expenses	
	Balance previously reported	-
	Transfer to Contracted Services	17 946 460
	Transfer to Employee Cost	(3 188 508)
	Transfer to Inventory Consumed	(132 552)
	Transfer to Finance Charges	(748 697)
	Transfer to Operational Costs	(242 155)
	Transfer to Transfers and Subsidies	(13 157 035)
	Transfer to Sales of Goods and Services	(501 899)
	Restated balance 30/06/2017	<u>4 386</u>



	Previously reported	
	Advertising	159 189
	Audit fees	1 839 237
	Bank charges	470 744
	Chemicals	173 764
	Cleaning	73 437
	Commission paid	648 976
	Community development and training	23 100
	Computer expenses	76 706
	Consulting and professional fees	2 097 493
	Consumables	-
	Donations	-
	Electricity	-
	Entertainment	2 638 428
	Fines	58 651
	Fuel and oil	-
	Hire	889 306
	Insurance	705 353
	Legal fees	153 873
	Materials	1 173 370
	Magazines, books and periodicals	12 365
	Medical expenses	6 760
	Postage and courier	650
	Printing and stationery	525 847
	Promotions and sponsorships	344 124
	Recruitment cost	36 088
	Rent	9 856
	Special projects	162 048
	Royalties and license fees	102 368
	Security (Guarding of municipal property)	35 645
	Sewerage and waste disposal	-
	Software expenses	-
	Staff welfare	176 347
	Shopsteward Knyana Municipality	-
	Subscriptions and membership fees	5 588
	Sundry expenses	671 295
	Telephone and fax	1 883 097
	Title deed search fees	886 668
	Tourism development	-
	Training	552 000
	Transport and freight	133 506
	Travel/Hotel	-
	Uniforms	941 282
	Water	890
	Total General Expenses	17 946 480
37.26	Operational Costs	
	Balance previously reported	-
	Transfer from General Expenses	13 157 035
	Transfer from Contracted Services	383 544
	Transfer from Other Income	26 120
	Transfer from Repairs and Maintenance	65 784
	Restated balance 30/06/2017	13 632 483
	Reporting now	
	Advertising, Publicity and Marketing	160 773
	Bank Charges, Facility and Card Fees	236 895
	Bargaining Council	-
	Bursaries (Employees)	-
	Cellular Contract (Subscription and Calls)	-
	Cleaning Services	-
	Commission	-
	Communication	648 976
	Courier and Delivery Services	-
	Deeds	529
	Entertainment	24 802
	External Audit Fees	29 710
	External Computer Service	1 839 237
	Fines and Penalties	-
	Full Time Union Representative	3 000
	Hire Charges	-
	Indigent Relief	748 902
	Insurance Underwriting	-
	Licences	153 873
	Municipal Services	-
	Personnel Agency Fees	2 638 428
	Postage/Stamp/Freighting Machines	9 656
	Printing, Publications and Books	-
	Professional Bodies, Membership and Subscription	52 994
	Registration Fees	700 235
	Remuneration to Ward Committees	-
	Road Worthy Test	1 152 282
	Signage	21 374
	Skills Development Fund Levy	11 328
	Travel and Subsistence	356 148
	Uniform and Protective Clothing	1 468 900
	Wet Fuel	2 831
	Workmen's Compensation Fund	936 585
		11 288 770
37.27	Finance Costs	
	Balance previously reported	-
	Transfer from Finance Charges	3 173 751
	Restated balance 30/06/2017	3 173 751
37.28	Finance Charges	
	Balance previously reported	4 876 925
	Transfer to Employee Related Costs	(1 145 329)
	Transfer from General Expenditure	242 155
	Transfer to Finance Costs	(8 173 751)
	Restated balance 30/06/2017	-

37.29	Contracted Services	
	Balance previously reported	
	Transfer from General Expenses	18 011 713
	Transfer from Repairs and Maintenance	3 168 606
	Transfer to Operational Costs	658 208
	Transfer to Employee Costs	(369 544)
	Transfer to Inventory Consumed	(18 406)
	Restated balance 30/06/2017	(81 796)
		<u>18 364 681</u>
37.30	Inventory Consumed	
	Balance previously reported	
	Transfer from General Expenses	*
	Transfer from Repairs and Maintenance	748 887
	Transfer from Contracted Services	1 422 088
	Restated balance 30/06/2017	61 796
		<u>2 252 661</u>
37.31	Repairs and Maintenance	
	Balance previously reported	
	Transfer to Operational Costs	2 148 061
	Transfer to Inventory Consumed	(65 784)
	Transfer to Contracted Services	(1 422 088)
	Restated balance 30/06/2017	(658 208)
		<u>-</u>
37.32	Transfers and Subsidies	
	Balance previously reported	
	Transfer from General Expenses	-
	Restated balance 30/06/2017	501 898
		<u>501 898</u>
37.33	Inventories: (Write-down)/Reversal of Write-down to Net Realizable Value	
	Balance previously reported	
	Transfer from Stock Adjustments	*
	Restated balance 30/06/2017	316 031
		<u>316 031</u>
37.34	Impairments/Write-offs	
	Balance previously reported	
	Transfer to (Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	3 576 844
	Restated balance 30/06/2017	(9 576 844)
		<u>-</u>
37.35	(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	
	Balance previously reported	
	Transfer from Impairments/Write-offs	-
	Restated balance 30/06/2017	3 576 844
		<u>3 576 844</u>
	RE-CLASSIFICATIONS-STATEMENT OF FINANCIAL POSITION	
37.36	Payables from Exchange Transactions	
	Balance previously reported	
	Transfer to Consumer Deposits	45 048 717
	Transfer from Receivables from non exchange transactions	(180 085)
	Transfer to Receivables from non exchange transactions	702 927
	Transfer to Trade and Other Payables from Exchange Transactions	(38 806)
	Restated balance 30/06/2017	(45 522 742)
		<u>-</u>
37.37	Trade and Other Payables from Exchange Transactions	
	Balance previously reported	
	Transfer from Payables from Exchange Transactions	-
	Restated balance 30/06/2017	45 522 742
		<u>45 522 742</u>
37.38	Receivables from non-exchange transactions	
	Balance previously reported	
	Transfer to Receivables from non-exchange transactions	2 274 416
	Transfer from Receivables from non-exchange transactions	(38 806)
	Restated balance 30/06/2017	702 927
		<u>2 656 537</u>
37.39	Consumer Deposits	
	Balance previously reported	
	Transfer from Payables from Exchange Transactions	742 262
	Restated balance 30/06/2017	180 085
		<u>922 347</u>

38

RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2018 R	2017 R
Surplus/(Deficit) for the year	7 702 134	9 208 899
<u>Adjustments for:</u>		
Depreciation		
Amortisation of Intangible Assets	12 380 377	12 857 729
Debt Impairment	28 422	28 200
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(7 280 364)	27 408 385
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	4 183	530 373
Gains/(Losses) on Sale of Fixed Assets	323 675	-
Contributed Assets	2 682 359	-
Contribution to current employee benefits	-	(1 534 480)
Contribution from/to employee benefits	186 529	(788 638)
Contribution to Landfill site	(1 408 407)	119 043
Grants repaid	1 421 462	1 383 222
Grants Received	(1 252 000)	(682 000)
Grant Expenditure	62 641 278	71 173 287
Operating lease expenditure/income accrued	(58 762 601)	(88 242 948)
Operating Surplus/(Deficit) before changes in working capital	20 253	(2 189)
Changes in working capital	18 688 191	50 359 893
Increase/(Decrease) in Payables for Exchange Transactions	(408 521)	(28 587 740)
Increase/(Decrease) in Taxes	(8 521 558)	(7 520 207)
Increase/(Decrease) in Inventory	207 689	(4 324 738)
Increase/(Decrease) in Trade and other receivables	(46 886)	(199 762)
	7 854 334	(16 543 033)
Cash generated/(absorbed) by operations	18 258 670	21 772 233

39

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 39

	1 544 806	277 375
Leases:		
	1 544 806	277 375
Unspent Committed Conditional Grants - Note 8	(8 179 821)	(5 365 456)
VAT - Note 10	(12 885 886)	(10 278 189)
Resources available/(deficit) for other and working capital requirements	4 708 045	4 913 734
	(5 634 918)	(5 088 080)

40

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2

Used to finance property, plant and equipment - at cost

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

2 391 090	2 905 401
(2 851 060)	(2 905 401)
-	-
-	-
-	-

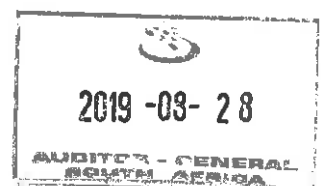
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.



41

BUDGET COMPARISONS

	2018 R (Actual)	2018 R (Budget)	2018 R (Variance)	2018 (%)
41.1 Operational				
Revenue by source				
Property Rates	17 243 524	16 002 570	1 240 954	8%
Dividends Received	-	-	-	0%
Government Grants and Subsidies-Operational	36 303 460	41 187 089	(2 883 619)	-7%
Government Grants and Subsidies-Capital	20 479 121	21 652 000	(1 172 879)	-5%
Public Contributions and Donations	-	-	-	0%
Continued Property, Plant and Equipment	-	-	-	0%
Accrual Gains	-	-	-	0%
Service Charges	68 729 003	65 390 333	3 338 670	5%
Rentals from Fixed Assets	570 405	488 000	82 405	17%
Fines, Penalties and Forfeits	5 681 270	6 053 000	(381 730)	-6%
Interest Earned - external investments	507 810	352 500	155 310	44%
Interest Earned - outstanding receivables	2 614 695	3 855 818	(1 341 121)	-35%
Interest Earned - non exchange transactions	1 909 196	-	1 909 196	100%
Licence and Permits	138 406	295 000	(156 595)	-53%
Dividends Received	-	-	-	0%
Operational Revenue	1 016 808	2 180	1 014 648	48874%
Agency Services	686 127	905 400	(37 273)	-4%
Sales of Goods and Rendering of Services	281 660	231 122	30 538	13%
	158 204 395	168 415 800	1 789 395	1,144%
Expenditure by nature				
Employee Related Costs	47 684 547	47 467 373	206 674	0%
Remuneration of Councilors	2 875 406	2 525 243	47 163	-2%
Depreciation and Amortisation	12 418 799	11 459 086	959 703	-8%
Bad Debts Written-off	27 474 148	14 475 000	12 999 148	-90%
Inventory Consumed	1 241 088	1 374 190	(133 092)	10%
Finance Costs	3 496 522	820 000	2 576 522	-290%
Bulk Purchases	32 560 546	29 543 890	3 016 656	-10%
Operational Costs	9 126 431	8 418 730	890 701	-9%
Operating Leases	318 207	403 850	(135 443)	30%
Contracted Services	17 148 582	15 594 551	1 554 011	-10%
Transfers and Subsidies	303 742	3 623 197	(3 319 455)	92%
Total Expenditure	164 762 607	138 477 920	16 284 687	-13%
Operating Surplus	3 441 888	19 937 080	(16 495 192)	
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(323 575)	-	(323 575)	100%
Impairment Loss/(Reversal of Impairment Loss) on Receivables	7 280 364	-	7 280 364	100%
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets	(4 183)	-	(4 183)	100%
Gains/(Loss) on Sale of Fixed Assets	(2 692 358)	-	(2 692 359)	100%
NET SURPLUS/(DEFICIT) FOR THE YEAR	7 702 134	19 937 080	(12 234 946)	-61%
41.2 Expenditure by Vote				
COMMUNITY SERVICES	1 525 058	-	1 525 058	100%
CORPORATE SERVICES	29 856 244	29 455 000	203 244	1%
EXECUTIVE COUNCIL	11 731 142	12 624 000	(892 858)	-7%
FINANCIAL SERVICES	20 996 532	19 875 000	1 121 532	6%
TECHNICAL SERVICES	90 849 531	74 525 000	16 324 531	22%
	154 762 507	138 479 000	16 283 507	13%
41.3 Capital expenditure by vote				
CORPORATE SERVICES	-	-	-	0%
EXECUTIVE COUNCIL	-	-	-	0%
FINANCIAL SERVICES	-	-	-	0%
TECHNICAL SERVICES	16 498 741	21 651 500	(5 152 759)	-24%
	16 498 741	21 651 500	(5 152 759)	-24%



42	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2018	2017
42.1	Unauthorised expenditure			R	R
	Reconciliation of unauthorised expenditure:				
	Opening balance		53 457 133	28 730 423	
	Unauthorised expenditure current year - capital		-	21 188	
	Unauthorised expenditure current year - operating		19 178 365	24 706 622	
	Written off by council		-	-	
	Transfer to receivables for recovery		-	-	
	Unauthorised expenditure awaiting authorisation		72 635 498	53 457 133	
	Incident	Disciplinary steps/criminal proceedings			
	Over expenditure on votes-operating 2015/16	None		28 730 423	
	Over expenditure on votes-operating 2016/17	None		24 726 710	
	Over expenditure on votes-operating (Note 42.2)	None	19 178 365		
	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)			2018	2017
42.2	Fruitless and wasteful expenditure			R	R
	Reconciliation of fruitless and wasteful expenditure:				
	Opening balance		4 098 301	1 821 438	
	Fruitless and wasteful expenditure current year		1 748 047	2 176 863	
	Written off by council		-	-	
	Transfer to receivables for recovery		-	-	
	Fruitless and wasteful expenditure awaiting further action		5 846 348	4 098 301	
	Incident	Disciplinary steps/criminal proceedings			
	Interest and penalties on late and non payments		1 748 047	4 098 301	
			1 748 047	4 098 301	
42.3	Irregular expenditure				
	Reconciliation of irregular expenditure:				
	Opening balance		111 640 711	63 637 933	
	Correction of previous years		-	12 158 571	
	Irregular expenditure current year		20 159 190	35 843 207	
	Investigated and written off by Council		-	-	
	Transfer to receivables for recovery		-	-	
	Irregular expenditure awaiting further action		131 799 901	111 640 711	
	Irregular expenditure awaiting condonement from National Treasury		-	-	
	Incident	Disciplinary steps/criminal proceedings			
	SCM procedures not followed	To be investigated	18 750 093	103 551 368	
	SCM procedures not followed	Forensic investigation	1 374 858	8 089 323	
	Council Reimbursement overpaid	To be recovered	34 409	-	
	Irregular expenditure include incidents that are subject to ongoing forensic investigations		20 159 190	111 640 711	
42.4	Material Losses				
	Water distribution losses				
	- Kilo litres lost during distribution		807 246	675 675	
	- Percentage lost during distribution		41.10%	32.63%	
	Monetary Value		6 937 233	4 850 629	
	Electricity distribution losses				
	- Units lost during distribution (Kwh)		3 129 244	2 710 995	
	- Percentage lost during distribution		9.09%	7.68%	
	Monetary Value		2 772 582	2 063 316	
43	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			2018	2017
43.1	Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS			R	R
	Opening balance		2 428 057	1 673 409	
	Council subscriptions		470 894	552 847	
	Amount paid - current year		-	-	
	Amount paid - previous years		-	-	
	Balance unpaid (in dispute)		2 898 950	2 428 057	



	2018 R	2017 R
43.2		
Audit fees - (MFMA 126 (1)(c))		
Opening balance		
Current year audit fee	6 705 820	3 832 080
Amount paid - current year	1 458 961	2 673 840
Amount paid - previous year		
	(1 677 518)	
Balance unpaid (included in creditors)	<u>6 487 383</u>	<u>6 708 920</u>
43.3		
VAT - (MFMA 126 (1)(c))		
VAT balance at year end - Refer to note 10	4 706 045	4 013 734
Closing balance - Receivable	<u>4 706 045</u>	<u>4 013 734</u>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

43.4		
PAYE, SDL and UIF - (MFMA 126 (1)(c))		
Opening balance	2 166 918	8 227 599
Current year payroll deductions and Council Contributions	7 463 382	7 340 554
Penalties		
Amount paid - current year	(6 705 132)	(13 401 234)
Amount paid - previous year	(1 537 341)	
Balance unpaid (included in creditors)	<u>1 377 827</u>	<u>2 166 918</u>
43.5		
Pension and Medical Aid Deductions - (MFMA 126 (1)(c))		
Opening balance	-	1 323 454
Current year payroll deductions and Council Contributions	9 261 828	7 107 606
Amount paid - current year	(8 506 107)	(6 481 260)
Balance unpaid (included in creditors)	<u>752 721</u>	<u>-</u>

43.6	
Councilor's travel/consumer accounts - (MFMA 124 (1)(b))	
No Councilor had travel accounts for more than 90 days as 30 June 2018	

43.7				
Deviations from Supply Chain Management Regulations				
Non-compliance summary	≤ R30000	>R30000 <R200000	>R200000	
Department:				
COMMUNITY SERVICES	60 911	283 781	-	354 692
CORPORATE SERVICES	8 614	256 684	-	265 298
EXECUTIVE COUNCIL	49 964	216 367	-	266 331
FINANCIAL SERVICES	119 434	376 287	2 807 588	3 303 319
TECHNICAL SERVICES				
Total	<u>238 943</u>	<u>1 144 326</u>	<u>2 807 588</u>	<u>4 190 859</u>
Department:				
COMMUNITY SERVICES	24 950	-	-	24 950
CORPORATE SERVICES	144 820	74 428	-	219 248
EXECUTIVE COUNCIL	12 825	-	-	12 825
FINANCIAL SERVICES	20 583	87 828	-	108 386
TECHNICAL SERVICES	168 526	308 911	-	467 437
Total	<u>381 685</u>	<u>471 165</u>	<u>-</u>	<u>832 860</u>

Reasons for deviations

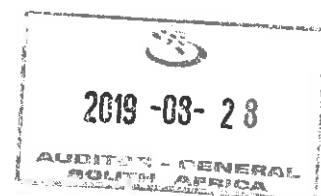
Sole Supplier	121 961	14 887
Emergency	50 128	134 912
Section 38(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes	4 018 770	983 251
	<u>4 190 859</u>	<u>832 860</u>

43.8	
Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy)	

Company	Name	Relation
None		

43.9	
Other non-compliance - (MFMA 126(2)(e))	

Creditors payments were not made within 30 days as required by the MFMA.



CAPITAL COMMITMENTS**Commitments in respect of capital expenditure:**

Approved and contracted for:

Total commitments consist out of the following:

	2018 R	2017 R
Electrification	2 946 223	1 988 907
Zoar- Construction of Droe Vlei Reservoir	-	1 968 907
Upgrading of Ladismith bulk water supply	2 659 368	-
	288 855	-
	2 946 223	1 988 907
This expenditure will be financed from:		
External Loans	-	-
Government Grants	2 946 223	1 988 907
	2 946 223	1 988 907

Contract/Tender
VE Engineers
Kuthele General Projects
Ekonent Consulting Engineers

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(715 093)	(767 036)
0.5% Decrease in interest rates	357 546	383 518

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "laying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handover for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 16 and 17 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Exchange Receivables</u>				
Rates	2.40%	493 722	4.90%	868 612
Traffic Fines	18.38%	1 134 332	11.36%	1 318 000



	2018 %	2018 R	2017 %	2017 R
Exchange Receivables				
Electricity	7.07%	144 008.49	0.00%	
Water	2.37%	323 258.10	0.00%	
Refuse	1.31%	130 896.90	0.86%	153 716
Sewerage	1.45%	141 222.02	1.33%	211 052
Other	42.16%	372 457.71	17.85%	202 422
	3.07%	1 111 843	1.06%	567 199

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
Non-Exchange Receivables				
Rates	76.83%	20 579 410	60%	17 699 347
Traffic Fines	23.07%	6 170 888	40%	11 606 086
	100.00%	26 750 076	100%	29 305 416
Exchange Receivables				
Electricity	5.62%	2 037 989	4.00%	2 129 606
Water	37.57%	13 614 826	33.57%	17 884 131
Refuse	27.54%	8 861 563	30.44%	16 214 224
Sewerage	26.83%	9 723 383	29.86%	16 908 882
Other	2.44%	883 481	2.13%	1 133 767
	100.00%	36 241 302	100.00%	53 270 539

	2018 %	2018 R	2017 %	2017 R
Bad debts written off per debtor class:				
Non-Exchange Receivables				
Rates	0.00%	-	100%	1 575 849
Traffic Fines	100.00%	10 083 008	-	-
	100.00%	10 083 008	100%	1 575 849
Exchange Receivables				
Electricity	1.44%	394 615	0.00%	79 827
Water	31.62%	8 887 907	0.00%	523 026
Refuse	32.72%	8 990 671	0.00%	380 676
Sewerage	32.43%	8 906 649	0.00%	412 793
Other	1.78%	461 306	0.00%	116 370
	100.00%	27 474 148	0.00%	1 514 632

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilized by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2018 R	2017 R
Receivables from exchange transactions	3 495 655	4 207 681
Receivables from non-exchange transactions	2 962 782	2 826 128
Cash and Cash Equivalents	1 544 806	277 375
	8 003 242	7 410 082

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2016	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Annuity Loans	720 000	2 377 954	-	-
Capital repayments	446 472	1 939 091	-	-
Interest	273 528	438 863	-	-
Long Term liabilities - Finance Leases	4 501	-	-	-
Capital repayments	4 454	-	-	-
Interest	47	-	-	-
Provisions - Landfill Sites	-	10 895 191	15 672 179	7 484 591
Capital repayments	-	9 894 852	10 631 828	3 696 595
Interest	-	1 200 338	5 040 551	3 687 996
Trade and Other Payables	45 963 502	-	-	-
Unspent conditional government grants and receipts	12 865 866	-	-	-
	59 673 866,82	13 273 144,85	15 672 179,00	7 484 591,14
2017	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Annuity Loans	720 000	2 880 000	217 933	-
Capital repayments	394 450	2 173 977	212 707	-
Interest	325 550	706 023	5 226	-
Long Term liabilities - Finance Lease Liability	123 147	4 454	-	-
Capital repayments	119 890	4 407	-	-
Interest	3 257	47	-	-
Provisions - Landfill Sites	10 822 978	16 282 040	8 116 953	-
Capital repayments	8 859 732	10 026 437	3 812 394	-
Interest	1 863 185	6 255 604	4 304 559	-
Trade and Other Payables	39 825 618	-	-	-
Unspent conditional government grants and receipts	10 279 189	-	-	-
	61 770 632	19 148 484	8 334 896	-

46	FINANCIAL INSTRUMENTS	2018 R	2017 R	
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
46.1	<u>Financial Assets</u>			
	<u>Classification</u>			
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	3 465 955	4 207 581
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	31 816	31 420
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	1 508 490	241 458
	Cash Floats and Advances	Financial instruments at amortised cost	4 500	4 500
	Investments		17 755	17 755
			<u>5 058 616</u>	<u>4 802 711</u>
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		5 058 616	4 802 711
	At amortised cost		<u>5 058 616</u>	<u>4 802 711</u>
	FINANCIAL INSTRUMENTS (CONTINUE)			
46.2	<u>Financial Liability</u>			
	<u>Classification</u>			
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	1 940 212	2 386 684
	Capitalised Lease Liability	Financial instruments at amortised cost	(0)	4 407
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	34 101 129	39 825 618
	Accrued interest	Financial instruments at amortised cost	-	-
	Refundable	Financial instruments at amortised cost	2 802 898	2 437 237
	Advance payments	Financial instruments at amortised cost	1 482 533	1 646 418
	Other	Financial instruments at amortised cost	5 623 883	9 716 492
	Consumer deposits	Financial instruments at amortised cost	953 258	932 347
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	446 472	394 450
	Capitalised Lease Liability	Financial instruments at amortised cost	4 407	119 890
			<u>45 354 593</u>	<u>67 463 513</u>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		45 354 593	67 463 513



47	STATUTORY RECEIVABLES	2018	2017
	In accordance with principles of GRAP 108, Statutory Receivables of the municipality are classified as follows;	R	R
	Taxes		
	Vat receivable	4 706 045	4 913 734
	Receivables from Non Exchange Transactions		
	Property rates	1 310 015	1 840 863
	Fines	1 134 332	1 319 000

EVENTS AFTER THE REPORTING DATE

None

49 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

51 CONTINGENT LIABILITIES

Kennelland Municipality vs MA Smith
Municipality defending a claim against the Municipality for damages due to injuries. A judgement was given against the Municipality but the Municipality appealed. A possible liability of R1 056 888 does exist.

1 056 888 1 700 000

Kennelland Municipality vs Viscor Trade & (Pty) Ltd. W. RSK & Associates
The Municipality is defending a claim against an unrecognised creditor and breach of contract. A possible liability of R2 958 340 does exist.

2 958 340 -

52 RELATED PARTIES

52.1 Related Party Loans

None

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

52.3 Compensation of Councillors

The compensation of Councillors is set out in note 26 to the Annual Financial Statements.

52.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

See note 44.8

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

The following transactions were made :

Key management

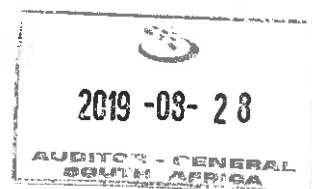
H.J. Barnard

2018	2018
Services and	Outstanding
rates	Balance
8 109	1 532
8 189	1 532

Councillors

A. Theron
H.D. Rutens
M. Barry
P.J. Antonie
J. Donson
H.M. Johnson

2018	2018
Services and	Outstanding
rates	Balance
17 855	6 255
16 589	1 448
9 580	1 387
11 417	4 444
14 985	2 095
105	-
72 632	14 628



APPENDIX A - Unaudited
KANNALAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2017	Received during the period	Interest Capitalised	Redeemed written off during the period	Balance at 30 JUNE 2018
LEASE LIABILITIES								
Hefcom	9.50%	31/07/2017		67 227	0	0	67 227	0
Nashua MPC3003 SP	9.25%	31/01/2018		19 450	0	0	19 450	0
Nashua MP3054SF	9.50%	31/08/2018		19 928	0	0	16 945	2 983
Minolta	9.50%	31/08/2018		17 663	0	0	16 239	1 424
Total Lease Liabilities				124 267	0	0	119 861	4 407
ANNUITY LOAN								
DBSA	12.50%	61000778	30/04/2023	2 781 133	0	0	394 450	2 386 684
Total Annuity Loan				2 781 133	0	0	394 450	2 386 684
TOTAL EXTERNAL LOANS				2 905 400	0	0	514 310	2 391 091

APPENDIX B - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATION

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Budgeted Income	2018 Actual Income R	2018 Budgeted Expenditure	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(21 031)	11 083 601	11 062 570	ADMIN SERVICES	(3 322 274)	(1 210 642)	13 665 890	13 187 180	11 976 538
(34 980)	244 707	209 717	CEMETERY	(23 220)	(95 763)	254 962	226 591	130 829
(54 840 547)	18 431 711	(36 408 836)	CFO	(7 382 260)	(7 143 628)	20 379 746	21 002 214	13 858 585
(40 215)	744 076	703 861	COMMUNITY SERVICES	(1 412 000)	(1 260 472)	3 251 829	1 525 058	264 586
(3 528 277)	13 225 692	9 697 415	COUNCIL'S GENERAL EXPENSE	(24 143 000)	(24 100 653)	7 387 811	9 273 619	(14 827 034)
(46 927 092)	35 035 077	(11 892 016)	ELECTRICITY	(50 960 083)	(53 069 584)	35 689 968	39 495 562	(13 574 022)
(28 574)	12 622 691	12 594 116	HOUSING	(2 030 000)	(6 172 625)	3 058 003	7 036 699	864 074
(69 007)	1 979 802	1 910 795	LIBRARY	(2 558 576)	(2 058 748)	2 296 854	2 159 004	100 256
(7 152 618)	6 792 359	(360 258)	LICENSING & TRAFFIC	(6 348 000)	(5 798 558)	7 998 211	7 819 559	2 021 001
(415 476)	2 265 732	1 850 257	MUNICIPAL BUILDINGS	-	6 212	3 063 885	3 429 238	3 435 450
-	6 353 319	6 353 319	MUNICIPAL MANAGER	-	-	3 884 970	5 149 883	5 149 883
-	199 219	199 219	PARKS & RECREATION	-	-	256 250	334 539	334 539
(7 015)	-	(7 015)	POSTAL AGENCY	-	(11 086)	-	-	(11 086)
(20 457 702)	5 928 533	(14 529 168)	PROPERTY RATES	(16 002 570)	(15 449 302)	-	(3 682)	(15 452 984)
(1 368 988)	6 567 417	5 198 430	PUBLIC WORKS : STREETS	(10 370 000)	(9 214 970)	6 616 822	7 946 558	(1 268 412)
(9 217 753)	13 431 907	4 214 155	SANITATION/REFUSE	(6 158 980)	(11 370 947)	6 203 173	13 596 127	2 225 180
(10 425 225)	8 852 690	(1 572 535)	SEWERAGE	(6 651 270)	(12 710 461)	8 493 225	13 206 201	495 740
-	336 679	336 679	SWIMMING POOLS	(20 000)	-	118 739	117 225	117 225
(13 118 820)	15 503 812	2 384 991	WATER	(19 032 767)	(20 471 141)	13 857 572	16 928 659	(3 542 482)
(167 653 330)	159 599 025	(8 054 304)	TOTAL	(156 415 000)	(170 132 366)	136 477 910	162 430 232	(7 702 134)

APPENDIX C - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL MAIN VOTES

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2016 Budgeted Income	2018 Actual Income R	2016 Budgeted Expenditure	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(40 215)	744 076	703 861	COMMUNITY SERVICES	-	-	-	-	-
(7 721 696)	35 524 791	27 803 095	CORPORATE SERVICES	(15 714 070)	(16 590 595)	33 627 663	35 692 286	19 101 691
(3 528 277)	19 579 011	16 050 734	EXECUTIVE COUNCIL	(24 143 000)	(24 100 653)	11 609 741	14 566 308	(9 534 345)
(75 305 263)	24 360 244	(50 945 019)	FINANCIAL SERVICES	(23 384 830)	(22 604 016)	20 379 746	20 998 532	(1 605 484)
(81 057 878)	79 390 903	(1 666 975)	TECHNICAL SERVICES	(93 173 100)	(106 837 102)	70 860 760	91 173 106	(15 663 996)
(167 653 330)	159 599 025	(8 054 304)	Total	(156 415 000)	(170 132 366)	136 477 910	162 430 232	(7 702 134)

2019-09-28

AUDITOR GENERAL
SOUTH AFRICA

**APPENDIX D - Unaudited
KANNALAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2017	Correction of error	Balance 1 JULY 2017	Repaid to National Revenue Fund	Grants Received	Written Off	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2018
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R	R
National Government Grants									
Equitable Share	147 990	-	147 990	-	24 023 000	-	(24 023 000)	-	147 990
Local Government Financial Management Grant	-	-	-	-	2 145 000	-	(2 145 000)	-	1 155 030
Municipal Infrastructure Grant	180 463	-	180 463	-	10 370 000	-	(10 370 000)	(8 696 470)	180 463
Zoar Streets	-	-	-	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
National Integrated Electrical Grant	1 965 907	-	1 965 907	(1 252 000)	1 000 000	-	(1 000 000)	(7 999 953)	627 047
Total National Government Grants	2 297 350	-	2 297 350	(1 252 000)	45 538 000	-	(27 776 407)	(16 696 423)	2 110 520
Provincial Government Grants									
Lend Use Planning	306 463	-	306 463	-	-	-	-	-	306 463
Taxi Ranks	447 890	-	447 890	-	-	-	-	-	447 890
Flood Damage	-	-	-	-	111 000	-	(50 889)	-	1 650 000
CDW Grant	-	-	-	-	-	-	-	-	-
IDC	1 850 000	-	1 850 000	-	-	-	(1 300 000)	-	1 540 000
Local Government Financial Support Grant	-	-	-	-	1 300 000	-	(330 000)	(9)	350 000
Local Government Financial Support Grant	-	-	-	-	1 540 000	-	(46 285)	-	100 238
Local Government Financial Support Grant	-	-	-	-	350 000	-	(6 172 625)	-	167 289
Organisational Grant	48 285	-	48 285	-	-	-	-	-	150 000
Nasamville Paving	100 238	-	100 238	-	6 172 625	-	(1 300 000)	-	250 000
Housing	-	-	-	-	-	-	-	-	238 657
Van Wykesdorp Pit Latrines	167 289	-	167 289	-	-	-	-	-	175 439
WGC Financial Management Capacity Building	150 000	-	150 000	-	-	-	-	-	501 684
Upgrading Sports Facilities Calitzdorp	250 000	-	250 000	-	-	-	-	-	522 288
SOBIP	238 657	-	238 657	-	-	-	-	-	200 000
DYAF - RBIG	319 438	-	319 438	-	-	-	-	-	-
IDP	175 439	-	175 439	-	1 980 000	-	(2 056 832)	(71 946)	2 383
Library Grant	578 576	-	578 576	-	-	-	-	-	6 018
Disaster - Zoar	522 288	-	522 288	-	-	-	-	-	1 030 000
Upgrading Pumpstation	71 946	-	71 946	-	412 000	-	(250 000)	(3 513 145)	286 855
Revenue Enhancement	200 000	-	200 000	-	-	-	-	-	-
CEFO 2nd Payment	6 018	-	6 018	-	-	-	-	-	-
HR Project	250 000	-	250 000	-	1 030 000	-	-	-	-
Deeds Registration	-	-	-	-	3 800 000	-	-	-	-
Drought Relief	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	5 452 826	-	5 452 826	-	17 025 625	-	(10 426 641)	(3 782 638)	8 304 732
Other Grant Providers									
Disaster Fund	2 342 433	-	2 342 433	-	-	-	-	-	2 342 433
Landmuth Water Project	128 118	-	128 118	-	-	-	-	-	128 118
SETA	-	-	-	-	77 649	-	(77 649)	-	-
Umsobomvu Project	28 763	-	28 763	-	-	-	(28 763)	-	-
Total Other Grant Providers	2 499 314	-	2 499 314	-	77 649	-	(106 412)	-	2 470 551
Total	10 279 189	-	10 279 189	(1 252 000)	62 641 274	-	(38 303 480)	(20 479 121)	12 885 885

2019-08-28

SECTION - GENERAL

2019-08-28