

# **Namakwa District Municipality**



## **ANNUAL REPORT 2016/17**

# Namakwa District Municipality



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# TABLE OF CONTENTS

VISION.....	4
Mission Statement.....	4
COAT OF ARMS.....	5
CHAPTER 01.....	6
1.2    MUNICIPAL FUNCTIONS POPULATION AND ENVIRONMENTAL OVERVIEW.....	9
1.3    SERVICE DELIVERY OVERVIEW.....	10
1.4    FINANCIAL HEALTH OVERVIEW.....	10
1.5    ORGANISATIONAL DEVELOPMENT OVERVIEW.....	10
1.6    STATUTORY ANNUAL REPORT PROCESS.....	11
CHAPTER 02: GOVERNANCE.....	12
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	12
2.1    POLITICAL GOVERNANCE.....	12
2.2    ADMINISTRATIVE GOVERNANCE.....	13
COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	13
2.3    INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTER GOVERNMENTAL RELATIONS.....	13
COMPONENT C: PUBIC ACCOUNTABILITY AND PARTICIPATION.....	15
2.4    PUBLIC PARTICIPATION.....	15
2.5    IDP ALLIGNMENT.....	15
COMPONENT D: CORPORATE GOVERNANCE.....	16
2.6    RISK MANAGEMENT.....	16
2.7    ANTI CORRUPTION AND FRAUD.....	17
2.8    SUPPLY CHAIN MANAGEMENT.....	17
2.9    BY LAWS.....	17
2.10   WEBSITE.....	18
2.11   MUNICIPAL PUBLIC ACCOUNTS COMMITTEE.....	19
CHAPTER 03: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1).....	20
COMPONENT A: BASIC SERVICES.....	20
JOB CREATION THROUGH INFRASTRUCTURE PROJECTS.....	20
COMPONENT B: ROAD TRANSPORT.....	22
COMPONENT C: PLANNING AND DEVELOPMENT.....	23
COMPONENT D: COMMUNITY AND SOCIAL SERVICES.....	23
COMPONENT E: ENVIRONMENTAL PROTECTION.....	23
COMPONENT F: HEALTH.....	23
COMPONENT G: SECURITY AND SAFETY.....	23
COMPONENT I: CORPORATE POLICY.....	23

1	VISION
4	MISSION STATEMENT
5	GOAT OF AIMS
6	CHAPTER 01
7	1.1 MUNICIPAL FUNCTIONS POPULATION AND ENVIRONMENTAL OVERVIEW
10	1.2 SERVICE DELIVERY OVERVIEW
10	1.4 FINANCIAL HEALTH OVERVIEW
10	1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW
11	1.6 STATUTORY ANNUAL REPORT PROCESS
15	CHAPTER 02: GOVERNANCE
15	COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE
15	2.1 POLITICAL GOVERNANCE
15	2.2 ADMINISTRATIVE GOVERNANCE
15	COMPONENT B: INTERGOVERNMENTAL RELATIONS
15	2.3 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTER GOVERNMENTAL RELATIONS
15	COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION
16	2.4 PUBLIC PARTICIPATION
18	2.5 TOP ALIGNMENT
18	COMPONENT D: CORPORATE GOVERNANCE
18	2.6 RISK MANAGEMENT
17	2.7 ANTI CORRUPTION AND BRIBERY
17	2.8 SUPPLY CHAIN MANAGEMENT
17	2.9 BY LAWS
17	2.10 WEBSITE
19	2.11 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
20	CHAPTER 03: SERVICE DELIVERY PERFORMANCE REPORT PART 1
20	COMPONENT A: BASIC SERVICES
20	3.1 JOB CREATION THROUGH INFRASTRUCTURE PROJECTS
23	COMPONENT B: ROAD TRANSPORT
23	COMPONENT C: PLANNING AND DEVELOPMENT
23	COMPONENT D: COMMUNITY AND SOCIAL SERVICES
23	COMPONENT E: ENVIRONMENTAL PROTECTION
23	COMPONENT F: HEALTH
23	COMPONENT G: SECURITY AND SAFETY
23	COMPONENT H: CORPORATE POLICY



COMPONENT J: MISCELLANUEOUS.....	24
COMPONENT K: MUNICIPAL PERFORMANCE SCORECARD (01JULY 2016- 30 June 2017) .....	25
COMPONENT L: FINANCIAL YEARS PERFORMANCE COMPARISON .....	32
ANNEXURE A: KPI ALIGNMENT WITH NATIONAL LEGISLATION .....	33
COMPONENT L: PLANNING .....	33
3.2    NATURAL RESOURCE MANAGEMENT .....	41
3.2.1    EPWP Project.....	46
3.3    PROJECT DEVELOPMENT.....	51
3.3    MUNICIPAL HEALTH SERVICES .....	63
3.5    TOURISM.....	69
CHAPTER 04: ORGANISATIONAL DEVELOPMENT PERFORMANCE REPORT (PART 2) .....	74
COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONEL .....	74
4.1    EMPLOYEE TOTALS TURNOVERS AND VACANCIES.....	74
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE .....	75
4.2    POLICIES.....	75
4.3    INJURIES SICKNESS AND SUSPENSIONS .....	75
4.4    PERFORMANCE REWARDS .....	77
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE.....	78
4.5    SKILLS DEVELOPMENT AND TRAINING .....	78
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE .....	80
4.6    EMPLOYEE EXPENDITURE .....	80
4.7    DISCLOSURE OF FINANCIAL INTERESTS .....	82
CHAPTER 05: ANNUAL FINANCIAL STATEMENT.....	86
CHAPTER 06: AUDITOR GENERAL REPORT .....	87
6.1 MANAGEMENT REPORT.....	87
6.2 AUDIT ACTION PLAN .....	87
APPENDICES.....	88
APPENDIX A: COUNCILLORS COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE.....	88
APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES .....	89
APPENDIX C: THIRD TIER ADMINISTARTIVE STRUCTURE.....	90
MUNICIPAL OFFICE .....	90
ECONOMIC DEVELOPMENT AND PLANNING .....	902
CORPORATE SERVICES AND MUNICIPAL HEALTH SERVICES .....	92
BUDGET AND TREASURY .....	93
CALVINIA OFFICE STRUCTURE.....	94
APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE .....	95



## **VISION**

Namakwa District Municipality, a centre of Excellence!

## **Mission Statement**

We are a government institution legislatively mandated to stimulate economic and social transformation within the jurisdiction of the Namakwa District Municipality by fostering partnerships with relevant institutions to ensure sustainable development and proactive supporting and capacitating B-Municipalities. We will be a transparent and accountable centre of excellence.

## COAT OF ARMS



The new European shield shape was used.

The gold part in the shield refers to the predominantly arid area served by the District Municipality. The two complaisant Springboks in the foot of the shield not only relates to the administrative seat, but also to the large herds of this animal that were found in the district and also formed an important source of subsistence for the San and Nama.

The waving striped beams shoes the importance of water in the area as well as the mountains in the Hantam area. The 'Bitterbos gousblom' in the shield head in endemic to the region but also serves as alternative for the sun, represented as an element in the shield.

The diamonds represents the natural earthly resources and rich minerals in the region. The arms bearers are 'Dwergvarkies' of the Hantam region, and also appeared on the previous Hantam District Council coat of arms.

The crown resting on the shield is in the form of stones. This reflects a government that builds and work together. The ribbon in which the motto appears is golden with wine red background and both depicts the natural resources in the region.

The shield motto "*!Igä!IOSib*" is Nama for the word Prosperity.



## CHAPTER 01

### Executive Mayor Foreword



In the year which we celebrate the centennial celebrations of our late President Oliver Reginald Tambo under the theme “Unity Renewal and Jobs”

It is with great humility to present this annual report to the Council and communities of Namakwa District Municipality. Our district is the largest in the Northern Cape Province making up over one third of its geographical area and is well known for its beautiful flowers, cultural richness and its various minerals, particular diamonds.

There is no doubt that communication and collaboration at local government level remain very important, not only as a means of feedback to the state but in terms of making sure the needs of the people are met.

The implementation of the “BACK TO BASICS” programme remains a key priority for us as it enable the B-Municipalities to execute their service delivery mandate of providing services to our people on a sustainable basis.

Audit outcomes remain a critical area of focus and we need to continue the positive trajectory achieved in audit outcomes over the last term. Ultimately the bigger picture is to deepen a culture of accountability and drive the journey towards attaining clean audits and sustaining them across all our municipalities.

Truly inclusive economic growth requires structural change in line with Provincial Growth and Development Strategy and the National Development Plan.

The skills revolution is an important pillar to produce the necessary skills our economy need to grow therefore it is important to develop partnership with the education sectors to create a climate where our people especially the youth can develop their skills to get employment in the formal and informal sector.

We must encourage learners to take full advantage of the opportunities present to them by the S.K.A and SALT projects.

Tourists in both our domestic and international market segments made the Namakwa region their tourism destination of choice. We can proudly say that we have a diverse tourism industry which contribute to the



gross domestic product of the province. We offer to tourist Namakwa flower season, Operation Phakisa's Marine and Coastal tourism, Namakwa Open Africa Routes, Namakwa 4x4 trails and Green tourism, which they can come and experience.

Unemployment is considered as one of the main reasons of poverty therefore as the Namakwa District Municipality we embarked on several job creation initiatives as well as spin offs from large operations such as the Vedanta Mining and Solar energy projects in Khâi-Ma, the West Coast mining project in Kamiesberg, Alexkor mining in Richtersveld and Wind and Solar Energy in Hantam.

Namakwa District Municipality can proudly say that the following job creation projects contribute to the alleviation of poverty they are as follows Municipal Infrastructure projects, Community Works Programme, Expanded Public Works Programme, Working for water project and Khotso Pula Nala projects. As the district we spend from our own budget R5.9 million and create 175 job opportunities.

The Northern Cape Provincial Government has a standing twinning agreement with the Namibian//Kharas Region which focuses on three streams namely: Local Government, Economic Development and Social stream are bearing fruits now.

This year our commemorative days in partnership with National, Provincial and District departments will mainly focus on the centennial celebration of President Oliver Reginald Tambo throughout the year in honouring his contribution to free us from the bondage of Apartheid.

As our year drawn to an end we are fully aware that we indeed are on the right track in working together to improve the lives of our people. A lot has been achieved but more need to be done.

As Executive Mayor on behalf of Namakwa District Municipality I want to thank all who contribute in making the NDM a centre of excellence, coordinate and implement programmes to address the economic and social challenges in collaboration with departments, municipalities and other stakeholders.

President Nelson Mandela once said and I quote: "What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead."

*TOGETHER WE CAN MOVE NAMAKWA DISTRICT FORWARD*

Adele Rooi

Acting Executive Mayor

Namakwa District Manager



## Municipal Manager Foreword



The 2016/2017 financial year has seen Namakwa District Municipality achieve its stated objectives and advanced our stated mandate to support local municipalities.

The year under review represented the end of an IDP cycle whilst a new council was sworn in to oversee the finalisation of the previously approved IDP. It provided an opportunity to the Namakwa District Municipality to revisit her objectives and ensure that she put plans in place to achieve on her set objectives.

A milestone in the administration for Namakwa District Municipality is the attainment of her third Unqualified with Matters audit opinion. The issues that the Auditor General raised provided a platform for the Namakwa District Municipality, if properly addressed, to achieve a clean audit. This is the improvement that we are starting to see within the district as a whole. None of the six local municipalities was disclaimed.

Kamiesberg Municipality received her first unqualified audit opinion which is indeed a highlight in the life of the municipality.

The dedication and commitment that was shown by staff throughout the current year to not only bring operational costs down but also looking at new innovative ways to do things different, is admirably. This is reflected in the substantial reduction in the budgeted shortfall of the municipality as well as the achievement in operational performance.

The Namakwa District Municipality is embarking on a new five year strategy and new innovative ways are needed to guide the Namakwa District. Communities within the Namakwa District expect and should receive quality services, better living conditions as well as a safe and sound environment. It can be achieve if we work together as a District.

*"IF EVERYONE IS MOVING FORWARD TOGETHER, THEN SUCCESS TAKES CARE OF ITSELF".*  
HENRY FORD

Christiaan Fortuin  
Acting Municipal Manager  
Namakwa District Municipality



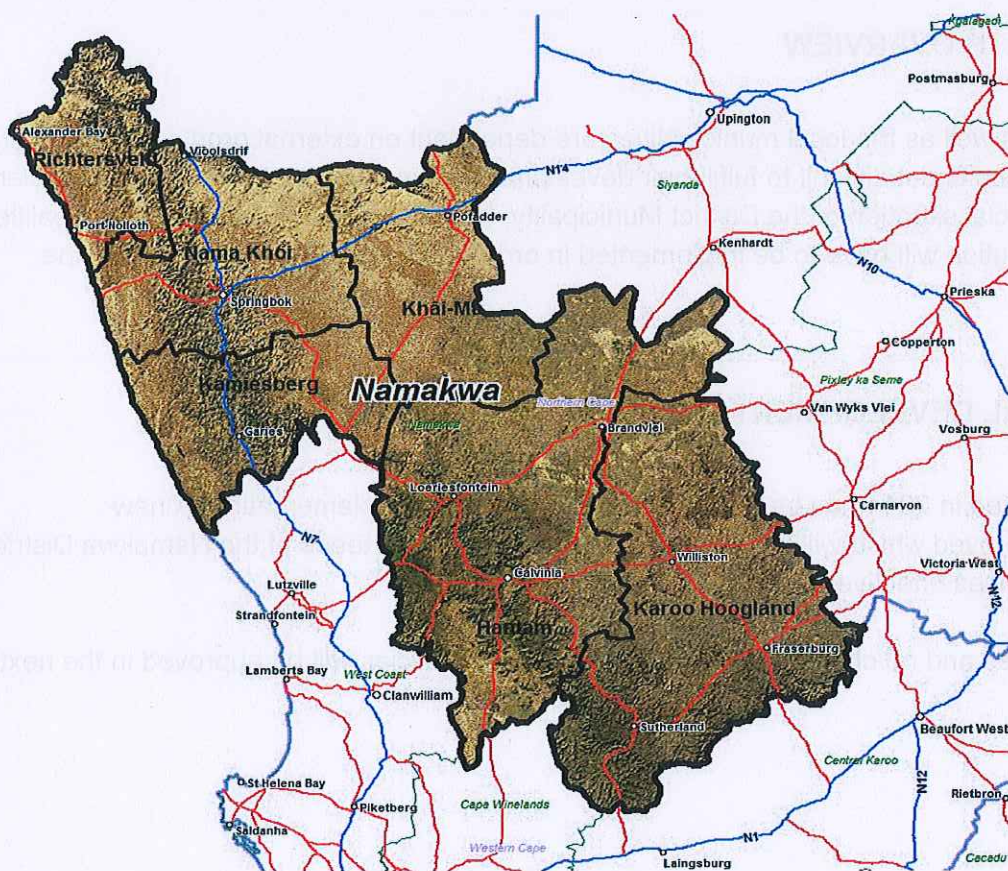
## 1.2 MUNICIPAL FUNCTIONS POPULATION AND ENVIRONMENTAL OVERVIEW

The Namakwa District (NDM) is situated in the north-western corner of South Africa and borders the Atlantic Ocean to the west and Namibia to the north. It is also bordered by the ZF Mgcawu and Pixley ka Seme Districts of the Northern Cape Province to the North-East and East, respectively, and by the Western Cape Province to the South (the West Coast, Cape Winelands and Central Karoo District Municipalities). The district is one of five districts in the Northern Cape Province and is situated in the western part of the province. The Namakwa District is the largest district geographically in South Africa.

The Namakwa District Municipality (DC6) comprises of the following municipalities with their main town mentioned after the municipality name:

Richtersveld Municipality (NC061)	Port Nolloth
Nama Khoi Municipality (NC062)	Springbok
Khâi Ma Municipality (NC067)	Pofadder
Kamiesberg Municipality (NC064)	Garies
Hantam Municipality (NC065)	Calvinia
Karoo Hoogland Municipality (NC066)	Williston

A map showing the district with the different Municipalities is below:





### **1.3 SERVICE DELIVERY OVERVIEW**

The provision of Free Basic Services in all six B-municipalities is applied on different service levels. This is mainly due to the scarcity of resources but is being implemented in all the municipalities in terms of water and electricity.

Service delivery improved extremely significantly during the past few years and in some areas there are minimal backlogs at present.

It is important to recognize the fact that households have access to services but it is very difficult for municipalities to render effective services economically, due to vast distances, etc. Services are very expensive in certain cases and a lack of resources compounds this fact. Water, for example, is a very scarce commodity.

All the municipalities are dependent on the Municipal Infrastructure Grant (MIG) for the development of infrastructure due to the fact that their own budgets are not sufficient to make funds available for capital expenditure. Certain municipalities achieved low expenditure percentage due to the lack of technical expertise. The District Municipality is in a process of re-establishing the Project Management Unit (PMU) to assist in this regard.

Housing is one of the challenges in the District and although housing projects are being implemented, continuous implementation should be accelerated.

Roads are probably one of the biggest economic contributors to the District economy. However due to the distances, conditions of roads and small Provincial allocation for maintenance, it is difficult to keep roads in good condition.

### **1.4 FINANCIAL HEALTH OVERVIEW**

The District Municipality as well as the local municipalities are dependent on external grants to fund capital projects. Most municipalities find it difficult to fulfil their developmental function due to the lack of sufficient funds. The long term financial situation of the District Municipality, as well as that of the local Municipalities, are deteriorating and a solution will have to be implemented in order to keep delivering services in the coming years.

### **1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW**

The work study which started in 2014 has been finalized and is ready for implementation. A new organogram has been approved which will be in line with the functions and needs of the Namakwa District Municipality to deliver services effectively and efficiently.

Council reviewed its policies and no changes were made. A few new policies will be approved in the next financial year.



## 1.6 STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July 2017
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August 2017
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September 2017
10	Municipalities receive and start to address the Auditor General's comments	November 2017
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January 2018
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	
14	Council adopts Oversight report	
15	Oversight report is made public	March 2018
16	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	



## CHAPTER 02: GOVERNANCE

An effective governance framework system, policies and structure is crucial to the proper functioning of the Namakwa District Municipality. The quality of governance and transformation is one of the major determining factors in turning the district into a developmental government focused on improving the quality of life in its area of jurisdiction.

The Namakwa District Council consists of 15 representatives of 2 different political parties (ANC + DA). The Council must strive within its capacity to achieve the objective set out in section 12 of the Constitution. A municipal council must annually review the needs of the community, prioritise those needs and develop processes to involve communities in the business of the municipality.

The governance system of the NDM is an executive mayoral system which comprises of Section 80 committees.

The NDM has a mandate to:

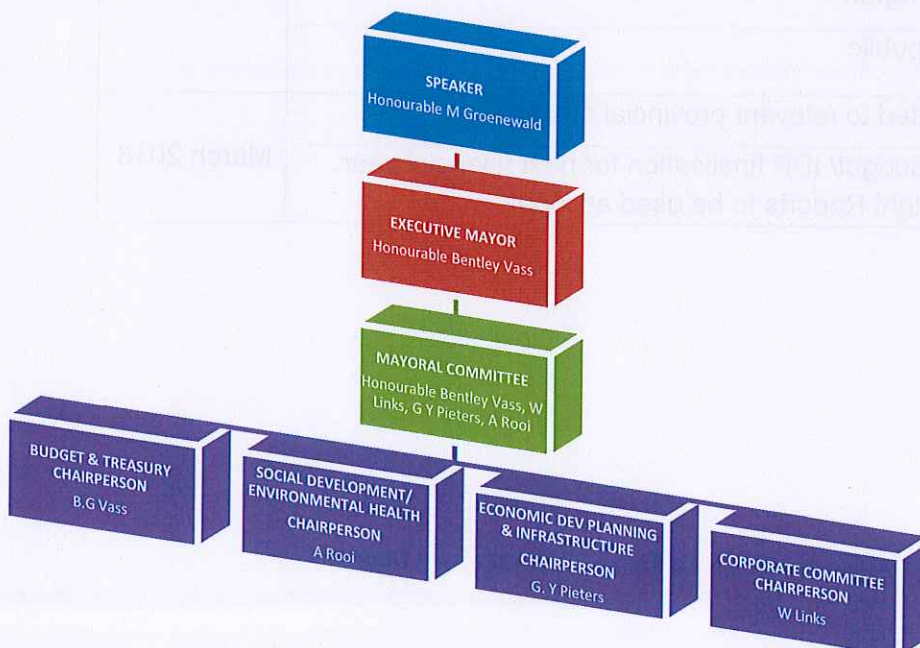
- Provide democratic and accountable governance for local municipalities;
- Ensure the provision of services to communities in a sustainable manner;
- Encourage the involvement of communities and community organisation in the matters of local government;

The district does not account for the provision of bulk electricity and water to Category B municipalities as this falls in the jurisdiction of these municipalities as concluded in the Structures Act.

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

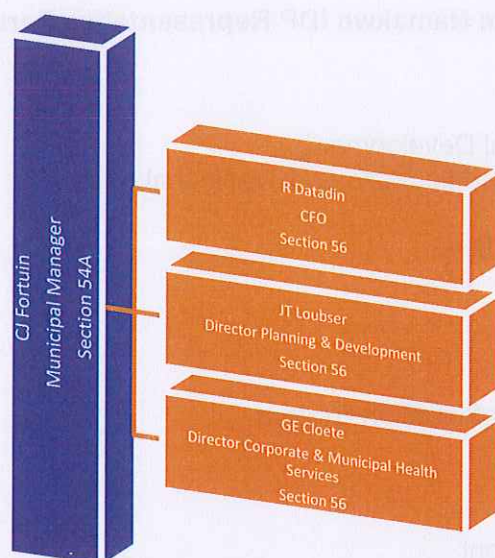
#### 2.1 POLITICAL GOVERNANCE

The Municipal Council of the Namakwa District Municipality consists of 15 members. Nine represent municipalities and the rest are directly elected to represent political parties on the basis of proportional representation. The ruling party in the Council is the African National Congress (ANC).





## 2.2 ADMINISTRATIVE GOVERNANCE



## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTER GOVERNMENTAL RELATIONS

#### Intergovernmental Relations Forums (IGR)

The IRF promotes and facilitates intergovernmental relations. It provides mechanisms and procedures to, among other, facilitate the settlements of intergovernmental disputes and matters connected therewith. This forum is functional in terms of the IGR Framework Act and comprises of the District Municipality, six local municipalities and government departments. The forum meets on a quarterly basis to ensure improved alignment between different spheres of government. The structure plays a vital role to create a more meaningful platform of engagement in a more coordinated manner.

#### Integrated Development Plan (IDP) Representative Forums

The IDP is a plan for the area that gives an overall framework for development. It aims to coordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in the Namakwa area.

The IDP Representative Forum is the body which is used by the NDM to communicate development and budget related issues. Local municipalities, sector departments, NGO's, CBO's and the private sector form part of the forum to ensure effective community participation and improve implementation. The IDP is published on the NDM website.



## **IDP Representative Forum Meeting Attendance**

**The following stakeholders were invited to the Namakwa IDP Representative Forum meeting for 2016/2017:**

Office of the Premier  
Department: Agriculture, Land Reform and Rural Development  
Department: Cooperative Governance, Human Settlements and Traditional Affairs  
Department: Education  
Department: Environment and Nature Conservation  
Department: Environmental Affairs  
Department: Economic Affairs and Tourism  
Department: Provincial Treasury  
Department: Health  
Department: Government Communication and Information System  
Department: Social Development  
Department: Sport, Arts and Culture  
Department: Transport, Safety and Liaison  
Department: Land Reform and Rural Development  
Department: Roads and Public Works  
Department: Home Affairs  
Department: Justice  
Department: Mineral Resources  
Statistics South Africa (STATSSA)  
South Africa Social Security Agency (SASSA)  
Municipal Infrastructure Support Agent (MISA)  
Surplus People Project (SPP)  
Conservation South Africa (CSA)

### **Stakeholders attended were as follows:**

Office of the Premier  
Department: Cooperative Governance, Human Settlements and Traditional Affairs  
Department: Provincial Treasury  
Department: Education  
Department: Environment and Nature Conservation  
Department: Environmental Affairs  
Department: Transport, Safety and Liaison  
Department: Agriculture, Land Reform and Rural Development  
Department: Home Affairs  
Department: Social Development  
Department: Sport, Arts and Culture  
Department: Government Communication and Information System  
Statistics SA (STATSSA)  
South Africa Social Security Agency (SASSA)  
Municipal Infrastructure Support Agent (MISA)  
Surplus People Project (SPP)  
Conservation South Africa (CSA)

## **Namakwa District Municipality News**

This is the quarterly Newsletter which is a compilation of government services and development news in the district.



## The District Communication Forum (DCF)

This Forum meets quarterly and is aimed at streamlining service delivery efforts to communities throughout the different government spheres and departments.

## Council Meets the People

This programme is conducted annually and is intended to ensure involvement of and accountability to the community. Council meetings by the District Council are rotated between local municipalities to enable and ensure that municipalities and communities articulate their problems and needs.

## Communication

The Namakwa District website ([www.namakwa-dm.gov.za](http://www.namakwa-dm.gov.za)) and Facebook page (Namakwa District Municipality) provides online and current news and information regarding the institution and district.

Our local community radio station is an effective mode of relaying important and emergency messages to the Community.

## COMPONENT C: PUBIC ACCOUNTABILITY AND PARTICIPATION

### 2.4 PUBLIC PARTICIPATION

The Council convened 4 council meetings during the year. Advertisements and invitation to the meetings are done two weeks prior to the meetings. The Namakwa District Municipality has no Community Development Workers (CDW's) so communication with the public happens through various platforms.

### 2.5 IDP ALLIGNMENT

IDP alignment criteria	Yes/No
Does the municipality have impact, outcome and input indicators?	Yes
Does the IDP have priorities, objectives, KPI's and development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPI's in the strategic plan?	Yes
Do the KPI's apply to the Section 57 Managers?	Yes
Do the KPI's align with the provincial KPI's on the 12 outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter's aligned reports submitted within stipulated timeframes?	Yes
Sections 26 Municipal Systems Act 2 000	Yes



## COMPONENT D: CORPORATE GOVERNANCE

### 2.6 RISK MANAGEMENT

As centre of excellence, the Council, Municipal Manager and Directors of the Namakwa District Municipality established an Independent Risk & Compliance Function. The Risk & Compliance Officer was appointed on 01 July 2016 and is situated in the office of the Municipal Manager. This function will identify, assess, advise on, monitor, and report on the regulatory compliance risk in the municipality and also assist the B-Municipalities by fulfilling this role.

MFMA, S62 (1)(c)(i) stipulates that the accounting officer of a municipality is responsible for establishing and maintaining effective, efficient and transparent systems of financial and risk management and internal control.

In view of the aforementioned paragraph and after a comprehensive enterprise-wide risk assessment was performed at the Namakwa District Municipality the following serves as information regarding the top risks to which the Municipality is exposed, determined at residual risk level:

Management Area	Risk Description	Causes
Strategic Risk	The inability of the institution to meet its legislative mandate	1. Partially and unfunded mandates
HRM	Attracting skilled and competent staff within the municipality and/ or the loss thereof.	1. Restricted/limited upward mobility 2. Upper limits for senior managers vs TASK.
LED	Limited Economic Development	1. Lack of LED/ Entrepreneurial skills 2. Vacancy within LED unit at the District Municipality
FLEET MANAGEMENT	Disruption in service delivery	1. Ageing fleet, high kilometres, high repairs and maintenance. 2. Funding for the replacement of fleet.
FINANCIAL MANAGEMENT	Effective functioning of Municipal Chart of Accounts (mSCOA)	1. Outdated ICT infrastructure and software. 2. Insufficient practical knowledge of mSCOA.
	Financial sustainability of the Municipality	3. Non-cash generating institution. 4. Grant dependent.



## **2.7 ANTI CORRUPTION AND FRAUD**

The Namakwa District Municipality has a Fraud and Corruption Strategy and Plan in place. The strategy is currently under review and will be approved in the next financial year. The municipality has a dedicated internal audit unit and also appointed a Risk and Compliance Officer. The Audit Committee is in place and does not include any councillors. The Audit Committee is active and had five meetings for the year.

The municipality is promoting ethical conduct and has developed a fraud prevention plan which intends to assist in preventing, detecting, investigating and sanctioning fraud and corruption. The municipality has a "zero tolerance" pledge for fraud and corruption.

## **2.8 SUPPLY CHAIN MANAGEMENT**

The Namakwa District Municipality's current SCM Policy was approved by council on 20 October 2016. We have established a fully functional Central Buying Unit through which all procurement takes place in order to improve service delivery. NDM also has a fully functional bid committee system whereby all procurement above R30 000 takes place. This enables us to assist some of our local municipalities, who do not have these committees in place, with their formal procurement processes. Section 112 of the MFMA sets out standards which all municipalities must attain. At NDM we take great care to comply with Section 112 although there are some challenges from time to time. Some of the main challenges we experience are:

- Number of quotations we receive because of the vast distances and the fact that the Namakwa area is sometimes limited as to the different type of services.
- High transport costs as the suppliers are sometimes situated far from Springbok, especially when it is speciality services which cannot be procured in our region which forces us to go beyond the borders of the District.

## **2.9 BY LAWS**

### **MUNICIPAL HEALTH BY-LAWS**

The municipality being aware of the constitutional right of every person to an environment that is not harmful to his or her health or well-being, and the principle that underlines the National Health Act, 2003 (Act 61 of 2003) as amended and the National Environmental Management Act, 1998 (Act 107 of 1998) as amended, adopts this By-laws with the purpose that these By-laws will enable the Municipality to set minimum environmental health standards to prevent diseases, prolong life, protect and promote the long term health and well-being of people in the Municipal area by:

- (a) Providing, in conjunction with other applicable laws, an effective legal and administrative framework within which the municipality can develop and manage its Municipal Health Service obligations by:
  - (i) Managing and regulating activities that have the potential to impact adversely on public health; and
  - (ii) Requiring premises to be properly maintained and managed; and



(b) Defining the rights and obligations of the Municipality and the public in relations to this purpose

The objective of the bylaws is to enable the Municipality to promote and protect the health and well-being of all people within the municipal area by providing an effective legal and administrative framework, in conjunction with any other applicable laws, within which the municipality can develop and manage its municipal health service obligations.

This municipal by-law may be cited as the Namakwa District Municipality: MUNICIPAL HEALTH BY-LAWS, and shall come into operation on the date of publication thereof in the Provincial Gazette.

## 2.10 WEBSITE

Namakwa District Municipality's website was revamped a few months ago. With the new face-lift and regular updates the community and stakeholders can make use of the website on a more extent basis. With the features it is easy accessible and all the necessary documents is just a click away.

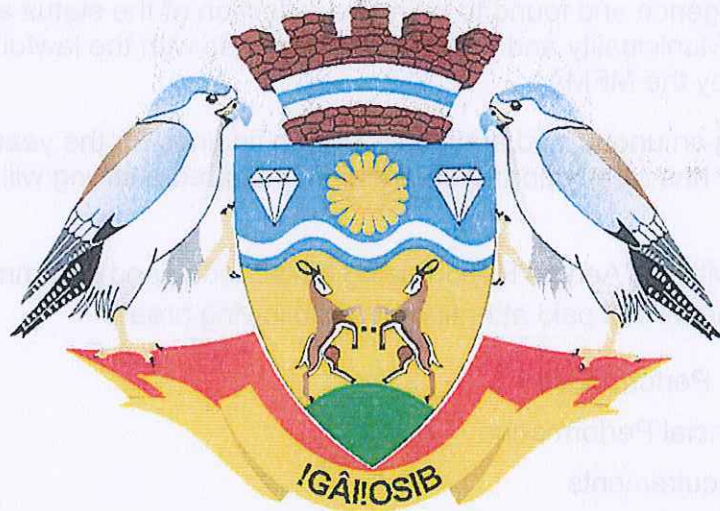
Section 75 (1)(a) – (l) of the MFMA is full complied with, in that all content required to be placed on the municipal website is done, except for those that are not applicable to the Municipality.

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	Yes/No	Publishing date
Current annual and adjustment budgets and all budget-related documents	Yes	07 July 2017
All current budget-related policies	Yes	07 July 2017
The previous Annual Report(2015/16)	Yes	07 July 2017
The Annual report (2016/17) published/to be published		
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act(2016/17) and resulting scorecards	Yes	07 July 2017
All service delivery agreements(2016/17)	Yes	
All long-term borrowing contracts(2016/17)	Yes	07 July 2017
All supply chain management contracts above a prescribed value(give value) for 2016/17	Yes	07 July 2017
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) of (4) during the 2015/16 financial year.	Yes	07 July 2017
Contracts agreed in 2016/17 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	07 July 2017
Public-private partnership agreements referred to in section 120 made in 2016/17	Yes	07 July 2017
All quarterly reports tabled in the council in terms of section 52(d) during 2016/17	Yes	Quarterly



# **NAMAKWA**

**DISTRIKSMUNISIPALITEIT / DISTRICT MUNICIPALITY**



## **Municipal Public Account Committee (MPAC)**

### **Oversight Report on the Annual Report 2016/2017**



## **Foreword by Chairperson of Municipal Public Accounts**

Madame Speaker, Executive Mayor, Councillors and Officials

It gives me great pleasure and a sense of principle on behalf of the Namaqua District Municipality, to present to Council today the Oversight Report on the Annual Report for the 2016/2017 financial year.

Accountability is not an act of compliance only, but a concerted effort to improve overall performance within the municipality.

I can confirm that the Annual Report of Namaqua District Municipality was assessed with due diligence and found to be a true reflection of the status and performance of the District Municipality and furthermore, complies with the lawful framework as prescribed by the MFMA.

In achieving an unqualified audit opinion with findings for the year under review, the Municipality has clearly portrayed and demonstrated a strong will to adhere to these principles.

In dealing with the Annual Report being tabled today and recommended for adoption, the MPAC paid attention to the following areas:

1. Financial Performance
2. Non-financial Performance
3. Legal Requirements
4. Legal Framework
5. Mistakes & Errors

The objectives of MPAC for the new audit period will include:

- Closely monitoring the performance of the municipality
- Strengthening the capacity support to MPAC and promoting the established District MPAC Forum
- Increasing the performance of our own committee through benchmarking
- The review of the Terms of Reference of the MPAC and development of a new Work Plan
- Extending the oversight efforts of the MPAC to the municipal entity to ensure the municipality maintains the audit status quo in our quest to obtain a clean audit report.

**Councillor C.K Klaase**  
**Chairperson**

## **1. Municipal Public Accounts Committee**

The Namaqua District Municipal Public Accounts Committee (MPAC) has been established to perform the oversight function on behalf of Council. This includes the detailed analysis and review of the annual report and drafting an oversight report for consideration by Council.

In terms of the Resolution of Council dated 31 January 2018, the MPAC comprises of members as detailed below:

Chairperson: Councillor Chandré Klaase

Members: Councillor Geraldine Gous

Councillor Gerrie Coetzee

## **2. Oversight and Process**

### **2.1 Legislative Process**

Section 129 of the MFMA requires council to consider the Annual Report and to adopt an Oversight report containing the Council's comments.

- a) Has approved the Annual report with or without reservations
- b) Has rejected the Annual Report, or
- c) Has referred the Annual Report back to revision of those components that can be revised.

### **2.2 Accountability Framework for Local Government.**

Council – Oversight Committee – Community- Oversight Committee –  
Council for adoption.

Website address: [www. Namakwa-dm.gov.za](http://www.Namakwa-dm.gov.za)

### **2.3 Community Participation Process**

The purpose of the Annual Report was to make it public and inform our communities about the purpose of the report itself, and seek for inputs and comments from the communities side.

The Annual Report made available to service points as well as the Municipal website. ([www.namakwa-dm.gov.za](http://www.namakwa-dm.gov.za))

### **2.4 The Report was available to the following service points:**

Namakwa District Municipality – Springbok

Namakwa District Municipality – Calvinia

No community meetings were scheduled.



### **3. Functions of the Oversight Committee**

Undertake a review and analysis of the Annual Report

Invite, receive and consider inputs from councillors and portfolio committees, on the Annual Report.

Receive and consider the views and comments of the Council Audit Committee on the Annual Financial Statements and the performance report.

Prepare the draft Oversight Report taking into consideration the views and inputs of the representatives of the Auditor General, Organs of State, Councils Audit Committee and Councillors.

### **4. Summary of the positive aspects/corrections on the 2016/2017 Annual Report**

The Annual Report was adopted and submitted on time to different stakeholders.

The Municipality had complied with applicable legislation regarding financial matters, financial management and other related matters.

### **5. Summary of Representation received from bodies/individuals**

Audit General's Representation

- Achievement of the planned targets for the year
- Procurement and contract Management
- Human Resources Management and Compensation
- Expenditure Management
- Provincial Treasury and SALGA
- Training for MPAC Committee

Communities: No proof of community involvement.

### **6. Oversight and Process**

#### **Summary of issues and concerns with 2016/2017 Annual Report**

- Annual Report not well structured
- Supply Chain management – procurement and contract management
- Reasonable steps were not taken to prevent irregular expenditure as required.
- Performance Management – measure and evaluate performance of staff
- Risk Register



## 7. Conclusion

This report would have not been completed without the support of the various stakeholders. Allow me furthermore to extend appreciation to the offices of the Executive Mayor, Speaker, Municipal Officer, Auditor General and the Councillors for their role in the oversight of the Annual Report.

The committee strongly believe that Namakwa and its many communities they serve will realize sustainability and tangible benefits if a similar process is consistently followed in the upcoming years. The committee is great full for the opportunity to contribute towards the service delivery of Namakwa District Municipality and its citizens.

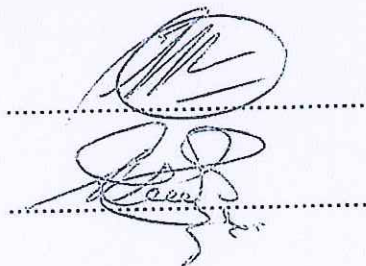
The MPAC remains a functional committee and still endeavours to have a positive influence on audit outcomes. Issues of good governance and financial oversight retain the status of high priorities.

### Recommended resolutions to be adopted by Council:

- 1) That the quality of the Annual Report as produced be included as factor in the performance evaluation of all officials who must provide the necessary inputs for the completion of a top class Annual Report.
- 2) The oversight report be submitted to provincial legislature in accordance with section 132 (2) of the Municipal Finance Management Act 56, 2003.
- 3) MPAC recommends that reasonable steps be taken to prevent irregular expenditure, fruitless and waste full expenditure.
- 4) Although the financial health of the municipality is in good standing it is still a concern and should be monitored.
- 5) Implement the action plan / initiatives of audit findings and improvements in the internal control environment with the objective of achieving a clean audit.
- 6) MPAC recommends that the Municipality should focus on its compliance with legislation and ensure that proper processes and procedures are in place to identify non-compliance timeously so that proper remedial action can be taken.
- 7) It is recommended that the council approve the Annual Report without reservations.

Councillor C. Klaase:  
Chairperson

Councillor G Coetzee  
Member







## **CHAPTER 03: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1)**

### **1. INTRODUCTION:**

In terms of section 46(1)(a) of the Municipal Systems Act (MSA), no. 32 of 2000, a municipality must prepare for each financial year a performance report reflecting the municipality's performance during the financial year.

This report highlight the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP) and provides an overall picture of performance for the municipality as a whole.

### **2. KEY CONSIDERATION:**

The SDBIP planning for 2016/2017 was adopted by the Executive Mayor on 26 May 2016 and revised on 25 January 2017 by Council. SDBIP reports were submitted and approved by Council on a quarterly basis.

Seen in the light of the financial position of NDM it was decided to save on budget costs. These savings reflect weak performance in the SDBIP (as underperformance), but are in fact good performance based on the decision taken.

## **COMPONENT A: BASIC SERVICES**

### **JOB CREATION THROUGH INFRASTRUCTURE PROJECTS**

The NDM has a legal mandate to assist the category B-municipalities within its jurisdiction. In addition the NDM also aims to develop infrastructure within category B-municipalities to address service delivery and create job opportunities for the unemployed. The NDM is grant dependant and assist category B Municipality with developing urgent infrastructure using the Integrated Grant. Table 1-1 summarises the projects that were implemented by the NDM during the 2016/17 municipal financial year by using their own funds and allocated grant funding.



# CHAPTER 03: SERVICE DELIVERY PERFORMANCE REPORT PART 1)

## 1. INTRODUCTION

In terms of section 46(1) of the Municipal Systems Act (MSA) no. 32 of 2000, a municipality must prepare for each financial year a performance report reflecting its performance during the financial year.

This report highlights the strategic performance in terms of the financial report. The report also provides an overview of the financial performance of the municipality as a whole.

## 2. KEY CONSIDERATIONS

The SDBP for 2016/2017 was adopted by the Executive Mayor on 28 May 2016 and revised on 28 January 2017 by Council. SDBP reports were submitted and approved by Council on a quarterly basis.

Seen in the light of the financial position of NDM it was decided to give on budget costs. These savings reflect weak performance in the SDBP (as a performance), but are in fact good performance based on the decision taken.

## 3. SUMMARY OF THE FINANCIAL POSITION OF THE MUNICIPALITY

### 3.1. JOB CREATION THROUGH INFRASTRUCTURE PROJECTS

The NDM has a legal mandate to assist the economy in municipalities within its jurisdiction. In addition the NDM also aims to develop infrastructure within category B municipalities to address service delivery and create job opportunities for the unemployed. The NDM is grateful when local government is municipally with development projects and infrastructure using the allocated funds. Table 1-1 summarises the projects that were implemented by the NDM during the 2016/17 financial year by using their own funds and allocated grant funding.

Table 1-1: NDM projects implemented during 2016-17

Municipality	Projects Implemented	Funder	Budget (R)	Exp (R)	Status	#WO's created
Kamiesberg	Upgrading of Main Street in Leliefontein	Khotso Pula Nala	1 000 000.00	457 328.29	Incomplete	11
	Removal of prosopis trees in Garies/Kheis	Integrated grant	791 000.00	560 064.20	Incomplete	49
	Kamieskroon Construction of Ramp for Disabled	NDM	27 000.00	26 499.00	Completed	0
	Lepelsfontein Construction of toilet	NDM	30 000.00	29 300.00	Completed	0
Karoo Hoogland	Upgrading of Jupiter Street in Sutherland	Khotso Pula Nala	1 000 000.00	655 720.00	Incomplete	20
Khâi Ma	Pofadder Construction of toilet for Disabled	NDM	29 000.00	27 390.00	Completed	0
Namakwa DM	Paving of sidewalk at NDM head Office Springbok	Integrated grant		68 900.00	Completed	8
	Paving at Namakwa District Tourism offices at Springbok	Integrated Grant	300 000.00	271 536.21	Incomplete	8

#WO's - Work Opportunities

## KHOTSO PULA NALA

The NDM allocated R1 000 000.00 Khotso Pula Nala Funds to both Karoo Hoogland and Kamiesberg Municipalities for the upgrading of streets as identified by these municipalities. The projects are also implemented by the Municipalities. The NDM only has a monitoring and oversight function. The progress on the projects is dependent on the implementation by these municipalities.

The upgrading of the Leliefontein Street is co-funded by the Kamiesberg Municipality with a total project budget of R 2 000 000.00. The percentage expenditure of the District allocated amount was about 46% at the end of June 2017. The project will be completed in the 2017-18 financial year.

The upgrading of Jupiter Street in Sutherland was at 66% expenditure at the end of June 2017. The project will also be completed in the 2017/18 financial year. The total jobs created through the implementation of this grant are thirty one (31).

## INTEGRATED GRANT

As a result of supply chain procurement challenges the initial approved projects could not be implemented and we had to implement the projects as listed in Table 1-1. Through the implementation of these projects 65 temporary work opportunities was created. The person days worked amount to 3477 and about 15 full time equivalents (FTEs) was created. A FTE is jobs created for 230 days. The district had a target of 7 FTEs according to the grant agreement. At the end of June 2017 the percentage expenditure was at 90%. We will apply for a rollover of the unspent funds to complete the Garies/Kheis removal of prosopis tree project.



## COMPONENT B: ROAD TRANSPORT

### ROADS ASSET MANAGEMENT SYSTEM:

The purpose of the program is to assist rural District Municipalities to set up a rural Road Asset Management Systems and collect road and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. The program is funded for a period of three years and we completed the second year of implementation. The program aims at achieving the following outcomes:

- All municipalities (within the district) to have knowledge of roads network within its area of jurisdiction
- Optimal use of funds (for example MIG, etc)
- Training in RRAMS principles
- Improved service delivery

Table 2-1 summarizes the progress with the program for the 2016/17 financial year.

**Table 2-1: Tabular progress 2016-17 financial year**

No	Project Summary Task	Q1	Q2	Q3	Q4
1	Project and Integration Management	25%	30%	69%	100%
2	Road Network Integration and RISFSA Classification	20%	45%	65%	100%
3	Data Collection and Analysis - Visual Pavement Assessments	8%	23%	61%	100%
4	GIS Model Development and Mapping	3%	3%	21%	100%
5	Production of RRAMS Technical Report	0%	0%	12%	100%
6	Project Close-out	0%	0%	0%	100%
Overall Progress					100%

Table 2-2 summarises the grant allocation as well as the expenditure of these funds. It also tables the additional funds received as a result of good performance with the implementation of the program.

**Table 2-2: Status on expenditure**

Allocation 16/17	Expenditure	% expenditure	Additional Allocation 16/17	Expenditure	% expenditure
R 2 794 000.00*	R 2 706 305.48	96.9%	R 1 258 000.00	R0.00	0%

\* Includes roll over amount of R 127 000.00

About 3% of the grant allocation remained unspent. NDM received an additional R 1 258 000 for the development of a web base Geo RRAMS which will included a new server. A rollover of these funds will be applied for and the additional funds will be spent in the 2017/18 financial year.



## **COMPONENT C: PLANNING AND DEVELOPMENT**

### **PERFORMANCE MANAGEMENT:**

The following are crucial issues that need to be addressed and are still major challenges facing performance management in B-Municipalities in Namakwa District:

- Limited human resources which have a direct influence on the performance of the B-Municipalities.
- No permanent Performance Management Coordinators at local level to ensure sustainable implementation and management of Performance Management System (PMS).
- Insufficient functioning of PMS and IDP Steering Committees on local level due to limited human resources.
- No uniform PMS system across the District to ensure efficient and effective support to B-Municipalities

## **COMPONENT D: COMMUNITY AND SOCIAL SERVICES**

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes and theatres which are not applicable to the District Municipality.

## **COMPONENT E: ENVIRONMENTAL PROTECTION**

This component is incorporated in the Office of the Municipal Manager Top layer SDBIP for 2016/2017.

## **COMPONENT F: HEALTH**

This component is incorporated in the Municipal Health Services departmental SDBIP for 2016/2017.

## **COMPONENT G: SECURITY AND SAFETY**

The operational activities in terms of security and safety were done as part of the Disaster, Fire and Safety departmental SDBIP for 2016/2017.

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools and camp sites. Namakwa District Municipality did not render financial support services for 2016/2017 in terms of sport and recreation within the respective local municipalities.

## **COMPONENT I: CORPORATE POLICY**

Council review its policies and no changes were made to existing policies.



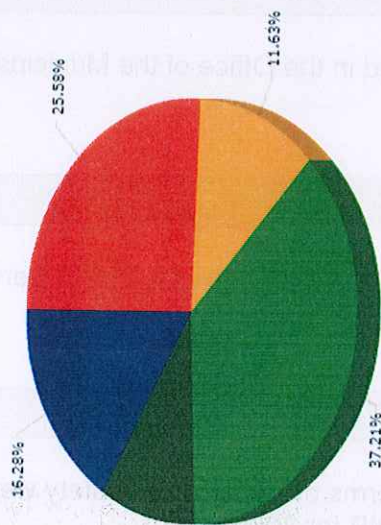
## COMPONENT J: MISCELLANUEOUS

This component includes: the provision of airports, abattoirs, municipal courts and forestry as municipal enterprises which are not applicable to Namakwa District Municipality.

### Top Layer SDBIP Report

Report drawn on 24 August 2017 at 12:20  
for the months of September 2016 to June 2017.

#### Namakwa District Municipality





COMPONENT K: MUNICIPAL PERFORMANCE SCORECARD (01 JULY 2016- 30 June 2017)												
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
ENSURING THE DELIVERY OF BASIC SERVICES WHICH INCLUDE WATER, SANITATION, ELECTRICITY AND WASTE MANAGEMENT												
TL1	Office of the Municipal Manager	The percentage of the municipal capital budget actually spent as at 30 June 2017 (Actual amount spent on capital projects/Total amount budgeted for capital projects)x100	% of the municipal capital budget actually spent as at 30 June 2017	R 774 200.00	-	90%	-	36.75%	-	-53.25%	Funding was reserved for rubber boots and/or server and telephone system. Alternative funding was used for server (RRAMS)	Relocation of funds. Rollover of telecommunication project.
CREATION OF A THOUSAND JOB OPPORTUNITIES THROUGH THE COMMUNITY PUBLIC WORKS PROGRAMME, AS PART OF 4.5 MILLION EPWP JOBS												
TL37	Economic Development & Planning	Create full time equivalent (FTE's) through expenditure with the EPWP job creation by 30 June 2017	Number of full time equivalent (FTE's) created by 30 June 2017	R 1 000 000.00	7	-	16	-	+9	-	Achieved	
TL44	Office of the Municipal Manager	Create full time equivalent (FTE's) by 30 June 2017 with the refurbishment of municipal accommodation and tourism walkways	Number of full time equivalent (FTE's) created by 30 June 2017		27	-	22	-	-5	-	Achieved	
TL46	Office of the Municipal Manager	90% spent by 30 June 2017 of the allocation for the 2016/17 financial year for the refurbishment of municipal accommodation and tourism walkways [(Actual expenditure / by the total allocation for 2016/17)x100]	% of 2016/17 allocation spent by 30 June 2017	R 818 000.00	-	90%	-	100 %	-	+10%	Achieved	
TRANSFORMATION OF ADMINISTRATIVE AND FINANCIAL SYSTEMS OF NDM AND RELEVANT B-MUNICIPALITIES, WHICH INCLUDED SUPPLY CHAIN MANAGEMENT												
TL2	Office of the Municipal Manager	Develop the Risk Based Audit Plan for 2017/18 and submit to the Audit Committee by 30 June 2017	Risk Based Audit Plan submitted to the Audit Committee by 30 June 2017	Operational Budget	1	-	0	-	-1	-	Risk Based Internal Audit Plans could not be compiled due to unavailability of risk registers.	Risk-based Internal Audit plans to be compiled and submitted during July 2017.
TL3	Office of the Municipal Manager	80% of the RBAP for 2016/17 implemented by 30 June 2017 [(Number of audits and tasks completed for the period/ Number of audits and tasks to complete for the period)x100]	(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP to complete for the period)x100	Operational Budget	-	80%	-	100%	-	+20%	Achieved	



Target Reached = 0% Variance			Positive Variance/Over-Performance = + % Variance			Negative/Under-Performance = - % Variance			Minor/Under-Performance = - % Variance			
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
TL4	Office of the Municipal Manager	identified in the RBAP for 2016/17)x100]	Co-ordinate the meeting of the District coordinating forum (Technical)	Operational Budget	4	-	4	-	0	-	Achieved	
TL5	Office of the Municipal Manager	Published 4 Namakwa District Municipality Newsletters by 2017.	Number of newsletters published	Operational Budget	4	-	3	-	-1	-	No responsible official to compile newsletter during June 2017.	Communication officer to be appointed.
TL6	Office of the Municipal Manager	Submit the draft Annual Report to Council by 31 January 2017	Draft Annual Report submitted to Council by 31 January 2017	Operational Budget	1	-	1	-	0	-	Achieved	
TL24	Budget and Treasury	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2017 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant	% of debt coverage	Operational Budget	-	<45%	-	1%	-	<44%	Achieved	
TL25	Budget and Treasury	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	Operational Budget	3	-	1	-	-2	-	Calculated as per the evidence (MFMA Circular No.71) submitted. Norm is 1 - 3 months positive.	
TL26	Budget and Treasury	Submit the adjustments budget for consideration to	Adjustment budget submitted to Council by 28 February 2017	Operational Budget	1	-	1	-	0	-	Achieved	



Target Reached = 0% Variance			Positive Variance/Over-Performance = + % Variance			Negative/Under-Performance = - % Variance			Minor/Under-Performance = - % Variance			
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
		Council by 28 February 2017										
TL27	Budget and Treasury	Submit the draft main budget for consideration to Council by 31-March 2017	Draft main budget submitted to Council by 31 March 2017	Operational Budget	1	-	1	-	0	-	Achieved	
TL28	Budget and Treasury	Submit the final main budget for consideration to Council by 31 May 2017	Final main budget submitted to Council by 31 May 2017	Operational Budget	1	-	1	-	0	-	Achieved	
TL29	Budget and Treasury	Submit the annual financial statements to AGSA by 31 August 2016	Annual financial statements submitted to AGSA by 31 August 2016	R 156 100.00	1	-	1	-	0	-	Achieved	
TL30	Corporate & Municipal Health Services	Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people appointed in the three highest levels of management	Operational Budget	0	-	0	-	0	-	Achieved	
TL31	Corporate & Municipal Health Services	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2017 ((Actual amount spent on training/total personnel budget)x100)	% of the personnel budget actually spent on implementing its workplace skills plan (Actual amount spent on training/total personnel budget)x100	R 312 000.00	-	50%	-	87%	-	+37%	Achieved	
TL32	Corporate & Municipal Health Services	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2017 ((Number of budgeted posts filled/Number of budgeted posts on the organogram)x100)	% of budgeted posts vacant ((Number of vacancies/Number of posts on the organogram)x100)	Operational Budget	-	<10%	-	8.69%	-	<1.31%	Achieved	
TL33	Corporate & Municipal Health Services	Submit the reviewed organogram to Council by 30 June 2017	Organogram submitted to Council by 30 June 2017	Operational Budget	1	-	2	-	+1	-	Achieved	



TL39	Economic Development & Planning	100% spend of the RRAMS grant allocation in terms of	% of the allocation spend	R 2 794 000.00 (as per approved)	-	100%	-	96.9%	-	-3.1%	Achieved	
Target Reached = 0% Variance <div></div> Positive Variance/Over-Performance = + % Variance <div></div> Negative/Under-Performance = - % Variance <div></div> Minor/Under-Performance = - % Variance <div></div>												
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
		the approved business plan by 30 June 2017 (Actual expenditure/total grant allocation received)x100		business plan) R 1 258 000.00 (additional funding received)								
TL40	Economic Development & Planning	Establish a District Joint Municipal Planning Tribunal in terms of SPLUMA by 30 September 2016	District Joint Municipal Planning Tribunal established	R 150 000.00	1	-	1	-	0	-	Achieved	
TL41	Economic Development & Planning	100% spend of the Khotso Pula Nala grant allocation in terms of the approved business plan and technical report by 30 June 2017 (Actual expenditure/total grant allocation received)x100	% of the grant allocation spend	R 1 683 000.00	100%	-	50.70%	-	-49.3%	-	Kamiesberg and Karoo-Hoogland Municipalities are the Implementation Agents and the progress of the expenditure is not in control of NDM.	NDM to engage municipalities to monthly with improved expenditure
TL42	Economic Development & Planning	Submit the final five year IDP for 2017/18 - 2021/22 to Council for approval by 30 May 2017	Final five year IDP for 2017/18 - 2021/22 submitted to Council for approval	R 333 500.00	1	-	1	-	0	-	Achieved	
ENSURE SUSTAINABLE ECONOMIC AND SOCIAL TRANSFORMATION												
TL7	Office of the Municipal Manager	Co-host a annual ARV function for vulnerable children in collaboration with District Department of Health by 31 December 2016	Annual ARV function hosted by 31 December 2016	R 40 000.00 - amount included in R 350 000.00 (see ref TL14 & TL15)	1	-	1	-	0	-	Achieved	
TL8	Office of the Municipal Manager	Arrange the Mathematics Award Ceremony for schools in the district in collaboration with the district Department of Education by 31 March 2017	Mathematics Award Ceremony held by 31 March 2017	R 50 000.00	1	-	0	-	-1	-	The programs was postponed due to availability of the students relating to vast distances in the District.	Follow-up meetings will be held with all relevant stakeholders to ensure that the programs will be held in the next financial year.
TL9	Office of the Municipal Manager	Arrange the top 5 schools and top 10 learners Award Ceremony by 28 February 2017	Award Ceremony held by 31 March 2017		1	-	0	-	-1	-		



TL43	Office of the Municipal Manager	Arrange the Drama Roadshow for learners in the District in collaboration	Drama Road Show arranged by 31 July 2017	R 45 000.00	1	-	1	-	0	-	Achieved	
Target Reached = 0% Variance  Positive Variance/Over-Performance = + % Variance  Negative/Under-Performance = - % Variance  Minor/Under-Performance = - % Variance												
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
TL11	Office of the Municipal Manager	with the District Department of Education by 31 July 2016 Support Community Based Organisations for vulnerable groups	Number of Community Based Organisations supported	R 150 000.00	6	-	13	-	+7	-	Achieved	
TL12	Office of the Municipal Manager	Host commemorative days as per the approved list	Number of commemorative days hosted	R 435 000.00	8	-	7	-	-1	-	No commemorative days held for August month, due to the Local Government elections.	
TL13	Office of the Municipal Manager	Support disadvantaged learners with educational needs in terms of the Back to School Campaign	Number of learners supported	R 20 000.00	50	-	230	-	+180	-	Achieved	
TL14	Office of the Municipal Manager	90% spent by 30 June of the HIV/AIDS conditional grant in terms of the approved business plan [(Actual expenditure / by total grand received)x100]	% of conditional spent by 30 June 2017	R 350 000.00	-	90%	-	86.3%	-	-3.7%	Achieved	
TL15	Office of the Municipal Manager	Coordinate the meeting of the District HIV/AIDS Council that includes the meetings of the Civil Society Forum	Number of meetings held		4	-	3	-	-1	-	Achieved	
TL16	Office of the Municipal Manager	Establish a district Disability Forum by 30 September 2016	Forum established by 30 September 2016	Operational Budget	1	-	0	-	-1	-	Forum not established due to challenges in local municipalities.	An outreach program will be held in August 2017 to address the issues in all municipalities.
TL17	Office of the Municipal Manager	Coordinate the meeting of the Disability Forum	Number of meetings held	Operational Budget	3	-	0	-	-3	-	There are challenges in municipalities	
TL18	Office of the Municipal Manager	Establish a district Moral Regeneration Forum by 30 September 2016	Forum established by 30 September 2016	Operational Budget	1	-	0	-	-1	-	All forums in municipal areas must be established before the MRM forum can be launch.	Launching postponed.
TL19	Office of the Municipal Manager	Coordinate the meeting of the Moral Regeneration Forum	Number of meetings held	Operational Budget	3	-	0	-	-3	-	The Office of the Executive Mayor will engage with all stakeholders and will do advocacy and awareness of the MRM program.	



TL20	Office of the Municipal Manager	90% spent by 30 June 2017 of the allocation for the 2016/17 financial year for the	% of 2016/17 allocation spent by 30 June 2017	R 34 997 606.00	-	90%	-	2.16%	-	-87.84%	No funding received from the Department of Agriculture, Forestry and Fisheries as per cession	Get legal advice to dissolve non-payment (funding) as per signed agreement
Target Reached = 0% Variance <span style="background-color: #90EE90; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span> Positive Variance/Over-Performance = + % Variance <span style="background-color: #008000; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span> Negative/Under-Performance = - % Variance <span style="background-color: #FF0000; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span> Minor/Under-Performance = - % Variance <span style="background-color: #FFDAB9; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span>												
Ref	Directorate	Performance Indicator	Measure	Budget Amount	Annual Targets		Actual Annual Performance		Variance		Reason for performance status	Remedial action taken
					Number	%	Number	%	Number	%		
TL21	Economic Development & Planning	Northern Cape Fishing Harbours by 30 June 2017 [(Actual expenditure / by the total allocation for 2016/17)x100]	Estuary Management Plan submitted to council by 30 June 2017	R 200 000.00	2	-	0	-	-2	-	agreement. An amount of R 34 997 606.00 was budgeted of which bridging funds of R 4 936 065.59 was utilised till end of June 2017	Completed Estuary Plans could not be submitted to Council after the Estuary Plans was gazetted as no Council meeting was held in the financial year.
TL38	Office of the Municipal Manager	Attend 4 tourism marketing exhibitions to promote the Namakwa region as a tourism destination during the 2016/17 financial year	Number of tourism marketing exhibitions attended	R 70 000.00	4	-	4	-	0	-	Achieved	Estuary Plans to be approved by Council in next financial year
<b>ENSURE THE IMPLEMENTATION OF ENVIRONMENTALLY SUSTAINABLE PRACTICES, ALONG WITH AN INTEGRATED APPROACH TO ADDRESSING CLIMATE CHANGE</b>												
TL22	Office of the Municipal Manager	Create person days' work in terms of the Working for Water project	Number of person days' work created	R 9 532 441.00	38 000	-	32 719	-	-5 281	-	Target not reached due to delayed funding from DEA and therefore delayed implementation	Will be done in the next financial year.
TL23	Office of the Municipal Manager	Clear alien vegetation in terms of the Working for Water project	Number of hectares of alien vegetation cleared		14 000	-	9 984	-	-4 016	-		
TL34	Corporate & Municipal Health Services	Take monthly samples of bacteriological and chemical levels of potable water in towns and communities within the district	Number of samples taken	Operational Budget	1176	-	1203	-	+27	-	Achieved	
TL35	Corporate & Municipal Health Services	Conduct at least one environmental education initiative per month per local	Number of environmental education initiatives conducted	Operational Budget	60	-	127	-	+67	-	Achieved	









## COMPONENT L: FINANCIAL YEARS PERFORMANCE COMPARISON

The table below illustrates a year on year comparison on performance as required by the Municipal Systems Act (MSA) in terms of Article 46.

FOCUS AREA	2015/2016 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/2017 FY PERFORMANCE		CURRENT PERFORMANCE STATUS
	TARGET	ACTUAL		TARGET	ACTUAL	
Revision of HR Policy	100%	0%	Council approved reviewed policies on 07 July 2017 at a special Council meeting	100%	100%	Completed
An incentive and investment policy to be approved by Council on 30 June 2016	1	0	Funds were reallocated.	1	0	Completed (Rural Development Plan was approved by Council on 25 May 2017).
Attend various tourism shows	4	2	Better planning was done in line with the budget available	4	4	Completed
Number of quarterly Namakwa District Municipality Newspapers to be published by 2016	4	1	Communication Officer was appointed	4	3	Carry forward to next financial year.
Review and technical legal/editing of all Council policies	100%	0%	Council approved reviewed policies on 07 July 2016 at a Special Council Meeting	100%	100%	Completed
An established electronic Customer Care Service System for the Namakwa District Municipality by 31 December 2015	100%	0%	Work study was approved by Council in 2016/2017	100%	0%	Work study approved by Council but still in process of implementation

FOCUS AREA	2015/2016 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/2017 FY PERFORMANCE		CURRENT PERFORMANCE STATUS
	TARGET	ACTUAL		TARGET	ACTUAL	
% of allocated funds spent in the 2015/2016 financial year on the Northern Cape Fishing Harbours	100%	24%	Project stopped. Dispute was declared.	90%	14,10%	Get legal advice to dissolve non-payment (funding) as per signed agreement
% of allocated funds spent in the 2015/2016 financial year on the Fishing Vessel Jetty	100%	0%				
% of allocated funds spent in the 2015/2016 financial year on the Port Nolloth Fish Processing Facility Upgrade and Refurbishment	100%	0%				



## ANNEXURE A: KPI ALIGNMENT WITH NATIONAL LEGISLATION

"Annexure A" clearly indicates the linkage of each KPI with National Legislation. Find "Annexure A" attached to the report.

## COMPONENT L: PLANNING

### Strategic Planning

The local government elections were held on the 3<sup>rd</sup> August 2016 which resulted in a newly elected Council for the District Municipality.

Together with this a new Integrated Development Plan was compiled for the District. The Plan was approved in May 2017 but was preceded by several strategic planning sessions with different stakeholders including *inter alia* municipalities, mines and government departments.

### Physical Planning

The Spatial Planning and Land Use Management Act (SPLUMA), 2013 (Act 16 of 2013) came into effect on 1 July 2015 and the Regulations of the Act on 13 November 2015. 5 B-Municipalities in the Namakwa District Municipality's jurisdiction area resolved to establish a Joint District Municipal Planning Tribunal in terms of the Act and Hantam Municipality established their own Tribunal.

These tribunals were fully operational during 2016 – 2017 and numerous applications were received evaluated, approved, referred back or rejected.

The latter requires that the different Councils, which must compile an appeal authority or act as the different Appeal authorities, need and are in the process of receiving training, to successfully handle this responsibility.

### 3.1 DISASTER MANAGEMENT: CALVINIA

#### Attendance of meetings

- Four District Disaster Management Advisory Forum Meetings was attended in the Province.
- Four Provincial Disaster Management Advisory Forum Meeting was attended in the Province.

#### Contingency Planning

The following Contingency Plans were compiled and submitted to the PDMC

- Winter Season Contingency Plan

- Summer Season Contingency Plan
- Veld fire Contingency Plan
- Contingency Plan for the Festive Season of 2016
- Contingency Plan for Local Elections of 2016
- Contingency Plans for the Easter weekend of 2017

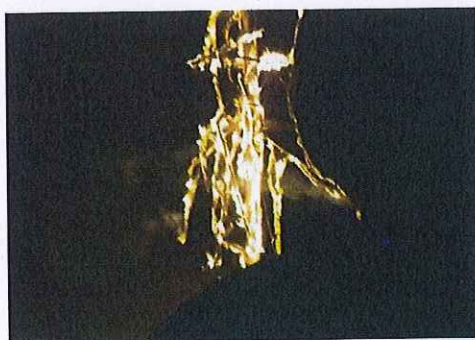
### **Compilation of reports**

- Compilation of monthly reports for the Namakwa District Municipality.
- Compilation of 4 Quarterly reports for the Namakwa District Municipality Council.
- Compilation of 4 Quarterly Reports for the Provincial Disaster Management Centre
- Compilation of Annual Namakwa District Municipality Report

### **Afrikaburn**

This gathering of almost 14 000 people took place at Stonehedge Lodge in the Tankwa Karoo. People that attended was from South Africa as well as from overseas. Only one major incident took place where a lady fell from a moving vehicle and was run over. She died later in hospital in Cape Town.

Then there was also a few minor incidents on the roads. Good collaborating was experienced between the different sector departments in the Northern Cape.





### Road Incident Management System Workshop

Road incident management is the process whereby a set of coordinated activities is initiated when an incident occurs on a road in order to minimize the direct and secondary effects of the incident, as well as to restore normal capacity and safety levels to all affected road facilities as quickly as possible. Road Incident Management System (RIMS) is the coordinated and pre-planned use of human, mechanical and electronic resources to manage incidents and to restore traffic to normal operating conditions as soon as possible.

The South African National Roads Agency Ltd (SANRAL) SOC is mandated by Department of Transport to ensure that road incident management is implemented on all national roads across the country. The R 27 section 1 to 8 (Vanrhynspas to Brandvlei) is a national road in the Namakwa District in the Northern Cape and therefore, the road incident management system needs to be implemented on this road.

According to the RIMS Operational Policy, a prerequisite for the establishment of a road incident management system is to allocate the function of a Central Communication Centre (CCC) to the District Disaster Management Centre appropriately. When centralised communication is taking place, all information is channeled through one Communication Centre which helps to avoid duplication; it sends out one message and it co-ordinate all communication between parties.

A local Steering Committee, comprising of nominated representatives of affected and interested parties has been established for the R 27 in the Namakwa District.

The Namakwa District Steering Committee (Hantam Region) meets on a quarterly basis, to accommodate road incident management stakeholders from the Hantam Region, including the towns not on the R 27. (Williston, Sutherland, Fraserburg, Middelpos, Loeriesfontein). At these local steering committee meetings, as well as the Provincial Coordinating and Advisory Committee meetings, challenges with regards to incident detection, notification and resource deployment have been discussed.

The decision was therefore taken to put in place a Memorandum of Understanding between the various role players regarding communication during incident detection, notification, resource deployment and scene management in the case of a road incident.

### Training

A total of 75 Municipal Workers and farmers were trained in Basic Fire Fighting.







## Disaster Risk Reduction

Simulation exercise was held on the 13 June 2016 at Calvinia. All the role players was tested and the exercise was successful. SAPS training officers was also on the evaluation panel.

A meeting was held after the exercise where all the challenges and as well as the shortcomings was highlighted.

## CLASSIFICATION, MAGNITUDE AND SEVERITY OF DISASTERS/ INCIDENTS

### Emergencies Coordinated by the DMC

EMS: 9641

SAPS: 1733

Accidents: 67

These were emergency calls that were received by the Control room and was given through to the relevant sector departments

SOP'S were activated for all emergencies handled.



## Veld Fire

On 28 December 2016 there was a veldt fire between Calvinia and Sutherland in the Roggeveld. The fire spread over an area of 25 000 ha that burnt out up to the 4 January 2017. No houses was burnt down or any loss of animals was reported.

The incident was reported to the Provincial Disaster Management Centre on the 29 December 2016 and a written report was also send to the office.



## DROUGHT CLASSIFICATION

Namakwa District was declared as a drought stricken area. The drought relief program for the farmers was coordinated by Department of Agriculture.

## PROBLEMS EXPERIENCED IN DEALING WITH INCIDENTS

- Lack of Communication between role players
- Lack of radio communication

## WAY IN WHICH PROBLEMS WERE ADDRESSED

- District Disaster Management Advisory Forum meetings / RIMS meetings
- Due to a lack of funding the district are trying to obtain funds from other resources

## DISASTER MANAGEMENT PLAN

The Disaster Management plan is under review. The risks and vulnerabilities that changed are taken to council for adoption.

## PHOTOS OF SIMMULATION EXERCISE





## INCIDENTS IN THE HANTAM AREA:

### House fire in Calvinia Wes



### Windstorm in Williston



### Truck carrying beer overturned on R 63



### Accidents on the R 27



3.2 NATURAL RE

WORK FOR WAY

PROJECT DETAIL

Description: Remove "monoculture" invasive species from the California, surrounding farms and rivers in the design station district area of LANTANA to allow water storage and restore water table.

Narrative: Limited Integrated Development Plan Goals relevant to Project

- for cleaner, healthy environment
- Sustainable development
- Training and development
- Basic water provision, ensuring implementation of environmentally sustainable practices along with an integrated approach to addressing climate change

ESTIMATED DURATION:

Activity	Start Date	End Date
Project Initiation	July 2016	July 2016
Project Planning	July 2016	July 2016
Project Execution	July 2016	July 2016
Project Monitoring	July 2016	July 2016
Project Closure	July 2016	July 2016

PROJECT BUDGET

Activity	Start Date	End Date	Budget (USD)
Project Initiation	July 2016	July 2016	10,000
Project Planning	July 2016	July 2016	10,000
Project Execution	July 2016	July 2016	10,000
Project Monitoring	July 2016	July 2016	10,000
Project Closure	July 2016	July 2016	10,000

EMPLOYMENT

Activity	Start Date	End Date	Employment (FTE)
Project Initiation	July 2016	July 2016	1.0
Project Planning	July 2016	July 2016	1.0
Project Execution	July 2016	July 2016	1.0
Project Monitoring	July 2016	July 2016	1.0
Project Closure	July 2016	July 2016	1.0



## 3.2 NATURAL RESOURCE MANAGEMENT

### WORK FOR WATER

#### PROJECT DETAIL

Description: Remove "Prosopis" invasive alien trees in Calvinia, surrounding farms and rivers in the drought stricken disaster areas of HANTAM to alleviate water shortages and restore water tables.

Namakwa District Integrated Development Plan Goals relevant to Project:

- job creation; reducing unemployment,
- SMME development,
- training and development,
- basic water provision: ensuring implementation of environmentally sustainable practices along with an integrated approach to addressing climate change

#### ESTIMATED DURATION:

START DATE	COMPLETION DATE	ESTIMATED DURATION
JULY 2016	JUNE 2017	12 MONTHS

#### PROJECT BUDGET

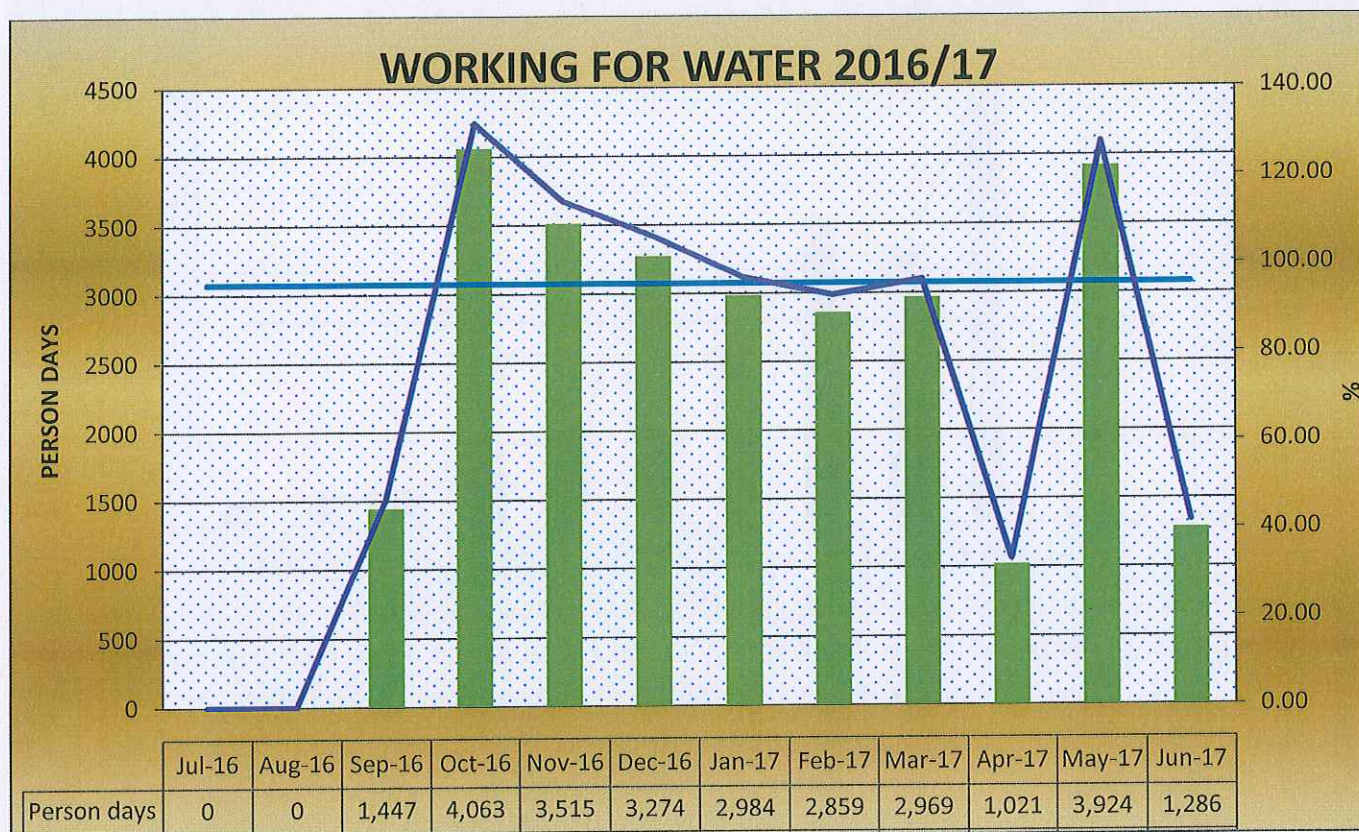
Source of Funds	Department of Environmental Affairs
Budget Amount	R 9 544 080
DEA Funding received YTD (30/06/2017)	R 5 204 802
NDM Expenditure	R 6 705 920
% Spent on funds received	129%

#### EPWP EMPLOYMENT

Person days Budget (operational)	Person days Actual	Full time equivalent achieved (FTE's)	% complete	Women	Youth	Disabled
36 916	27 342	119	74.06%	50.93%	61.23%	6.13%



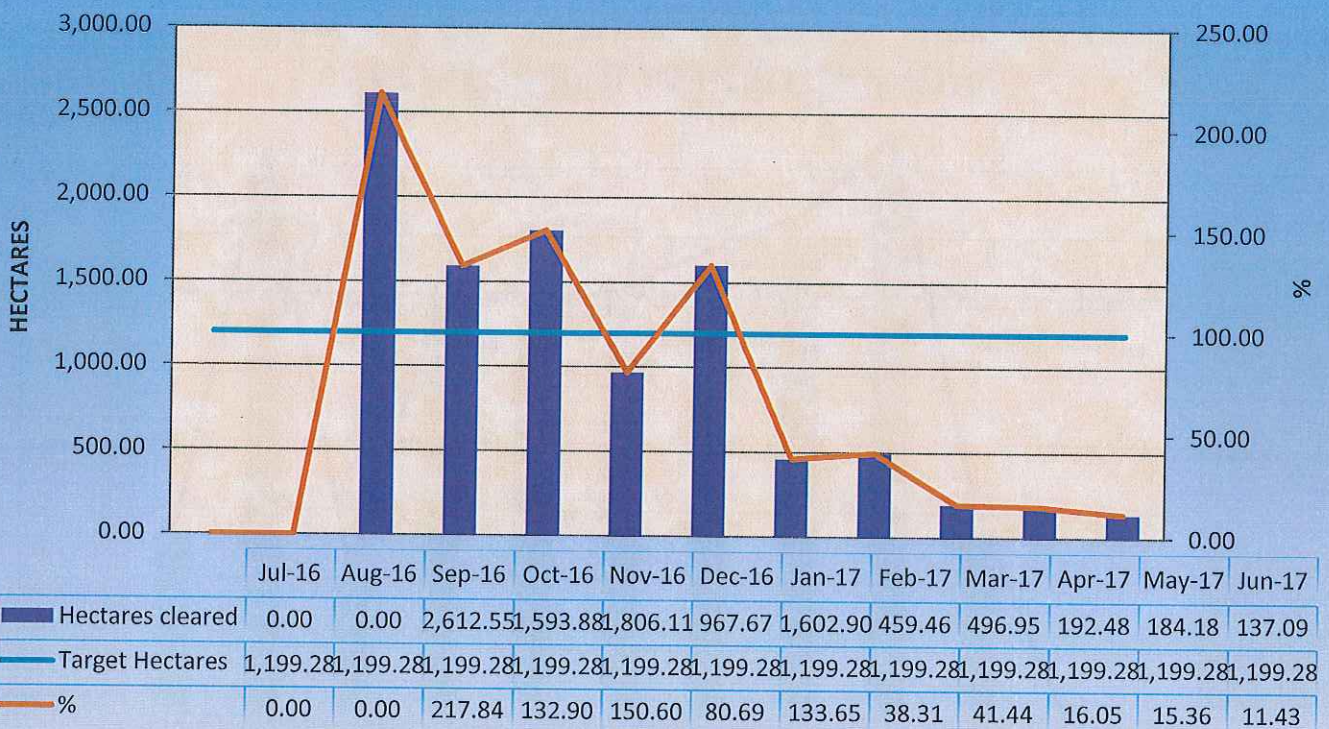
## PRODUCTIVITY



Month	Wages paid by Contractors	Actual Pdays (cum)	Women Pdays	Youth Pdays	< 35	Disabled Pdays	Actual # of people
Jul-16	0	0	0	0	0	0	0
Aug-16	0	0	0	0	0	0	0
Sep-16	161 679	1 447	724	1 016	69	84	
Oct-16	503 648	5 510	2 041	2 820	204	219	
Nov-16	405 899	9 025	1 787	2 283	298	177	
Dec-16	385 832	12 299	1 842	1 889	79	208	
Jan-17	351 151	15 283	1 366	1 723	168	142	
Feb-17	328 246	18 142	1 396	1 862	244	129	
Mar-17	308 024	21 111	1 391	1 522	207	158	
Apr-17	119 477	22 132	848	659	0	31	
May-17	385 856	26 056	1 862	2 034	286	137	
Jun-17	174 632	27 342	669	934	123	73	
Total	R 3 124 443		13 926	16 742	1 678	1 358	
%			50.93	61.23	6.13		



## INVASIVE PROSOPIS CLEARED 2016/17



*Working for Water team removing alien vegetation*



## TRAINING AND DEVELOPMENT

Course	# Of learners	Cost
Herbicide Applicator Training	16	24 820
Basic Fire Fighting	12	18 477
First Aid Training	18	19 296
Health & Safety Training Rep 1	14	18 071
Health & Safety Induction	151	17 595
Environmental Weed Control	4	19 500
Snake Awareness	108	87 519
Chainsaw	17	48 450
TOTAL	340	253 728

## IDP STRATEGIC OBJECTIVES

2016/2017 IDP STRATEGIC GOAL		INDICATOR
1	Job creation; reducing unemployment,	1,358 job opportunities created
2	SMME development,	17 SMME's contracted
3	Training and development,	7 Accredited courses presented
4	Ensuring implementation of environmentally sustainable practices	10 053 hectares invasive alien plants cleared

## CHALLENGES

- Cash flow from Funder - DEA
- 1<sup>st</sup> (only) payment received **24/01/2017 – R 4,772,040**(6 months into project)
- Annual agreement signed by DEA **26/09/2016**(3 months lost)
- NO differentiation in applying funding criteria – i.e., regulations governing Municipalities (Auditors, SARS, bank accounts and Central Supplier Database of National Treasury)
- Municipal financial year versus National Treasury financial year end
- Contractor's continuous dependency on state resources (after 10 years in system)
- Enforcement of NEMA regulations regarding removal of ALL alien vegetation – Private Landowners view it as a valuable source of shade, animal fodder and fuel wood as well as tree roots stabilizing river embankments
- Private Landowner Agreements





*Landowner site meeting with Namakwa Director, Director Jannie Loubser*

## RECOMMENDATIONS

- Clarify relevance of certain Department of Environmental Affairs (DEA) criteria to Local Government as an Implementing Agent (Independent Auditors, financial statements, appointed Auditors and SARS)
  - Apply MOA regulations regarding transfer deadlines of tranche payments from DEA
  - Include ALL Landowners in planning phase
  - Enforcement of NEMA regulations by DEA Compliance Unit where Landowners request selective removal of alien vegetation
  - Sign Private Landowner Agreements
  - Refresher business training courses for Contractors
- Train new Contractors who meet minimum DEA criteria as Service Providers

### 3.2.1 EPWP Project

#### PROJECT DETAILS

Clean & upgrade tourism infrastructure in Port Nolloth : Refurbish Caravan Park and Boardwalk

dd/mm/yyyy	dd/mm/yyyy	
Start date: 26 September 2016	Completion date: 26 May 2017	Estimated duration: 8 Months

#### PROJECT LOCATION

Province:	Northern Cape
District Council/Metro :	Namakwa District Municipality
Municipality:	Richtersveld Municipality
Village/Suburb :	Port Nolloth
Port Nolloth Co-ordinates	29°15'55.37"E 16°52'09.33"E

#### PROJECT BUDGET

Source of Funds	Department of Economic Affairs and Tourism
Budget Amount	R 818 000
DETaT Funding received	R 818 000
Expenditure Committed	R 820 137
% Spent on funds received	100%

#### EXPENDITURE

Monthly Expenditure	Expenditure	% Expenditure
September 2016	32 030	3.92
October 2016	33 877	4.14
November 2016	74 920	9.16
December 2016	99 568	12.17
January 2017	81 775	10.00
February 2017	80 427	9.83
March 2017	94 997	11.61
April 2017	81 881	10.00
May 2017	94 423	11.54
June 2017	146 239	13.14
<b>Total</b>	<b>820 137</b>	<b>100%</b>



# EPWP EMPLOYMENT (as at 30/06/2017)

Person days Budget	Person days Actual	People Budget	Actual People	% complete	Full Time Equivalent created
5 374	5 174	31	27	96	22

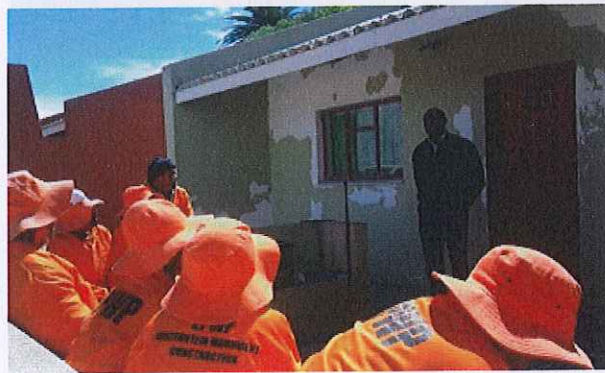
Month	Temporary person days	Women person days	Youth < 35 person days	Disabled person days	Actual # of people
September 2016	262	160	75	15	18
October 2016	383	230	108	22	18
November 2016	342	211	98	22	18
December 2016	538	293	172	42	48
January 2017	573	334	144	39	30
February 2017	611	367	175	42	30
March 2017	407	210	109	35	21
April 2017	596	237	232	61	29
May 2017	580	261	229	59	29
June 2017	882	379	295	67	27
<b>Total</b>	<b>5 174</b>	<b>2 682</b>	<b>1 637</b>	<b>404</b>	

	Women	Youth<35	Disabled	Local
Percentage Planned	55%	55%	0%	80%
Actual	52%	32%	8%	100%

## ACTIVITIES



*EPWP Team – Chalets prep for painting - Caravan Park*



*Mr T Diseko – Site Visit DeTAT*







*Caravan Park – Chalets complete*



## TRAINING

Course	POE Yes/No	# Of learners	Training days	Facilitator	Cost
Employee induction	Yes	18	1	Gus Brown NDM	0
Occupational Health & Safety Training	Yes	23	1	Henry Steenkamp/Morne De Wee	R7 685



*Health and Safety Training*



## PROJECT HIGHLIGHTS, CHALLENGES & RECOMMENDATIONS

### HIGHLIGHTS

#### 22 FTE'S ACHIEVED

- DETAT increased budget from R406,000 to R818,000 – October 2016 FULL BUDGET SPENT
- Additional 12 Beneficiaries employed
- Caravan Park chalets complete
- Damaged boardwalk and retainer embankment fixed
- Joint implementation by Richtersveld Municipality and Namakwa District Municipality

### CHALLENGES



- A vehicle on boardwalk in broad daylight
- Boardwalk barrier rope purchased – NOT COMPLETE
- PAVERS boardwalk purchased – NOT COMPLETE
- Caravan Park flood lights and door locks purchased - not installed



## RECOMMENDATIONS

- Negotiate completion of paving with WFTC team – WESSA
- Restrict access to vehicles and bicycles on boardwalk – PRESS criminal charges against individuals who violates law
- Richtersveld Municipality to employ at least 10 workers to complete lighting, door locks, walk rope and paving

## 3.3 PROJECT DEVELOPMENT

### Overview

The Namakwa District Municipality (NDM) does not have a district management area and are thus not responsible for direct service delivery to communities. We aim at achieving our goals and objectives by implementing the Integrated Development Plan (IDP) initiatives and also through rendering support within our category B-municipalities. Achieving our goals and objectives is challenging because the NDM is grant dependent and do not have sufficient capital to employ additional staff in order to reach these goals and objectives.

This report gives information on the district strategic direction and service delivery and budget implementation plan (SDBIP) for the 2016-17 municipal financial year. It also discusses the infrastructure services, job creation and ends with concluding remarks.

### District Strategic Direction

The summarized items in Table 1 present some of the key focus areas of the strategic direction for the NDM as contained in the IDP of the Namakwa District Municipality.

## District Strategic Direction

The summarized items in Table 1 presents some of the key focus areas of the strategic direction for the NDM as contained in the IDP of the Namakwa District Municipality.

**Table 1:**

Item	Focus	Goal	Status
1.	Water	<ul style="list-style-type: none"> <li>Compiling of a Water Master Plan for all local municipalities</li> <li>Establish Namakwa District Municipality as a Water Service Authority (WSA)</li> </ul>	<ul style="list-style-type: none"> <li>No Progress as a result of funding constraints. Possible funding source is being investigated.</li> <li>A service provider was appointed by Vedanta (Black Mountain Mine) to assist Khâi Ma Municipality with the compilation of Water and Sanitation master plans. These plans will be finalised in the 18-19 financial year.</li> <li>Currently awaiting feedback from Department of Water and Sanitation.</li> </ul>
2.	Electricity	<ul style="list-style-type: none"> <li>Creation of energy master plan for the district.</li> </ul>	<ul style="list-style-type: none"> <li>Investigation initiated and findings documented in a draft document. Official resigned and no further progress made.</li> </ul>
3.	Municipal Roads		<ul style="list-style-type: none"> <li>Ongoing assistance to local municipalities is provided by assisting municipalities with the implementation of capital projects through the use of our integrated grant.</li> </ul>
4.	Creation decent human settlements	<ul style="list-style-type: none"> <li>Accreditation, executing human settlements projects in line with provincial mandates (roads, parks, schools)</li> </ul>	<ul style="list-style-type: none"> <li>A Professional Service Provider was appointed during 2016-17 financial year to assist municipalities with the revision of their Municipal Human Settlements Sector Plans (MHSSP). The compilation of these plans is not completed and will be finalised in the 2017-18 financial year.</li> </ul>
5.	Municipal Transport	<ul style="list-style-type: none"> <li>Development of a integrated transport strategy, bus stops</li> </ul>	<ul style="list-style-type: none"> <li>The Department of Transport assists our category B Municipalities with the compilation of these plans. Plans for Richtersveld and Nama Khoi were completed.</li> </ul>



## Service Delivery and Budget Implementation Plan (SDBIP)







On approval of an IDP for a municipal financial year by a municipal Council, the Mayor of that municipality is mandated to approve a service delivery and budget implementation plan for that year of implementation. Table 2 is a summary of the Key Performance Indicators, targets and the performance status of the SDBIP for the Projects division.

**Table 2: Service Delivery and Budget Implementation Plan 2016-17**

Item nr	Key Performance Indicator (KPI)	Annual target	Actual	Performance status
1	Attend and participate in scheduled evaluation and specification committee meetings held	100%	100%	Green
2	Hold quarterly district infrastructure forum meetings	4	2	Red
3	Compile and submit the annual operational plan for all projects to the Director by 31 July	1	1	Dark Blue
4	Achieve 80% of the monthly deliverables as indicated in the operational plan	80%	100%	Dark Blue
5	Submit quarterly departmental reports to the Director by the 15th after the end of the quarter	4	4	Red
6	Update the SDBIP of the previous month on the Ignite System by the 17th of every month	12	9	Dark Blue
7	100% spend of the RRAMS grant allocation in terms of the approved business plan by 30 June 2017 (Actual expenditure/total grant allocation received)x100	100%	101%	Dark Green
8	100% spend of the Khotso Pula Nala grant allocation in terms of the approved business plan and technical report by 30 June 2017 (Actual expenditure/total grant allocation received)x100	100%	50.7%	Red
9	Conduct monthly section meetings with subordinates	5	4	Yellow



**Table 0: Key for Performance status**

	KPI not yet measured
	KPI not met
	KPI almost met
	KPI met
	KPI well met
	KPI Extremely well met

According to the performance status item 2 of the SDBIP was not met. We did not receive sufficient confirmation of attendance by stakeholders and could only schedule two meetings for the financial year. Although all the reports were submitted for KPI 5, it was submitted late and thus the reason for the KPI not being met. Item 6 shows the indicator as being extremely well met although only 9 out of 12 was achieved. This is because we only received training on the performance management system (Ignite) at the end of September 2016 and could not update the SDBIP for the first 3 months of the financial year.

Item 8 was also not met and the reason for this is because the projects are being implemented by the category B-Municipalities. Projects were identified by Karoo Hoogland and Kamiesberg Municipality and R 1 000 000 was made available per municipality for the implementation of these projects. The progress of this KPI is thus dependent on the progress made by municipalities with the implementation of these projects.

## **Service Delivery - Infrastructure**

The NDM does not have a district management area and is not directly responsible for the delivery of infrastructure services. We are however rendering project management services to our category B Municipalities. Other assistance as requested by our category B Municipalities is also provided by the Namakwa District Municipality.

The Namakwa District Infrastructure Forum (DIF) was also established during the 2016-17 financial year. The main purpose of the DIF is to implement and coordinate all infrastructure programs across all the local municipalities within the district, streamline municipal engagements and align support efforts from all government institutions, in order to minimize duplication and maximize the benefits.

The delivery of services to communities is a function of the category B-Municipalities. The NDM fulfills a strategic and oversight function. The DIF was established to streamline municipal engagements and align support efforts to ensure the execution of the strategic and oversight function by the District.



## Water and Sanitation

The following information was reported by participating municipalities at scheduled DIF meetings during the 2016-17 financial year. These capital projects (Table 3.1 and Table 3.2) were implemented to address backlogs and water and sanitation demand challenges.

**Table 3.1: Water projects implemented during 2016-17 by municipalities within the district**

Municipality	Projects Implemented	Budget (R)	Exp (R)
Richtersveld	<ul style="list-style-type: none"> <li>Replaced 2 borehole pumps at 8 myl Port Nolloth</li> <li>Upgraded Borehole pump upgraded at Lekkersing</li> </ul>		
Nama Khoi			
Kamiesberg	<ul style="list-style-type: none"> <li>Garies Ground Water Desalination, Bulk Water, Borehole Development</li> </ul>	7 206 000.00	6 708 520.41
Hantam			
Karoo Hoogland	<ul style="list-style-type: none"> <li>Sutherland Bulk water</li> <li>Sutherland Water reticulation</li> </ul>	17 787 990.00 24 307 650.00	7 438 123.35 793 298.81
Khâi Ma	<ul style="list-style-type: none"> <li>None</li> </ul>		

**Table 3.2: Sanitation projects implemented during 2016-17 by municipalities within the district**

Municipality	Projects Implemented	Budget (R)	Exp (R)
Richtersveld	<ul style="list-style-type: none"> <li>Upgrading of WWTW at Port Nolloth</li> <li>Upgraded the sewer line from Sizamile to the oxidation ponds</li> </ul>	14 359 995.18	
Nama Khoi	<ul style="list-style-type: none"> <li>OKIEP: Extension of sewer networks</li> </ul>	44 118 165.00	8 178 076.84
Kamiesberg	<ul style="list-style-type: none"> <li>None</li> </ul>		
Hantam			
Karoo Hoogland	<ul style="list-style-type: none"> <li>None</li> </ul>		
Khâi Ma			

## Energy

The following information on energy matters was reported by participating municipalities at scheduled DIF meetings during the 2016-17 financial year. These capital projects were implemented to address backlogs and Energy related challenges

**Table 4: Sanitation projects implemented during 2016-17 by municipalities within the district**

Municipality	Projects Implemented	Budget (R)	Exp (R)
Richtersveld	<ul style="list-style-type: none"> <li>Upgrading of Bulk Supply in Port Nolloth</li> </ul>	1 500 000.00	
Nama Khoi			
Kamiesberg	<ul style="list-style-type: none"> <li>None</li> </ul>		
Hantam			
Karoo Hoogland	<ul style="list-style-type: none"> <li>Fraserburg Formal House connections (15).</li> </ul>	232 500.00	165 000.00
	<ul style="list-style-type: none"> <li>Fraserburg Ugrading of Internal Network</li> </ul>	1 367 500.00	383 000.00
Khâi Ma			

## Roads

### Establishment of a Rural Roads Assets Management System

The purpose of the program is to assist rural district municipalities to set up a rural Road Asset Management Systems and collect road and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. The program is funded for a period of three years and we completed the second year of implementation. The program aims at achieving the following outcomes:

- All municipalities (within the district) to have knowledge of roads network within its area of jurisdiction
- Optimal use of funds (for example MIG, etc.)
- Training in RAMS principles
- Improved service delivery



Table 5: summarizes the progress with the program for the 2016/17 financial year.

**Table 5: Tabular progress 2016-17 financial year**

No	Project Summary Task	Q1	Q2	Q3	Q4
1	Project and Integration Management	25%	30%	69%	100%
2	Road Network Integration and RISFSA Classification	20%	45%	65%	100%
3	Data Collection and Analysis - Visual Pavement Assessments	8%	23%	61%	100%
4	GIS Model Development and Mapping	3%	3%	21%	100%
5	Production of RRAMS Technical Report	0%	0%	12%	100%
6	Project Close-out	0%	0%	0	100%
<b>Overall Progress</b>					100%

Table 6: summarises the grant allocation as well as the expenditure of these funds. It also tables the additional funds we received as a result of good performance with the implementation of the program.

**Table 6: Status on expenditure**

Allocation 16/17	Expenditure	% expenditure	Additional Allocation 16/17	Expenditure	% expenditure
R 2 794 000.00*	R 2 725 011.16	97.53%	R 1 258 000.00	R0.00	0%

\* Includes roll over amount of R 127 000.00

About 2% of the grant allocation remained unspent. We received an additional R 1 258 000 for the development of a web base Geo RRAMS. A rollover of these funds will be applied for and the additional funds will be spent in the 2017-18 financial year.

## Human Settlements

The NDM followed a procurement process to obtain the services of a Professional Service Provider (PSP) to compile Municipal Human Settlements Sector Plans (MHSSP) for all six (6) municipalities within the district. This was done to comply with the standard framework for MHSSP of CogHSTA and also to assist local municipalities with the compilation of their Municipal Human Settlement Sector Plan.

A service provider was appointed during December 2016. The compilation of these plans is not completed and will be finalised in the 2017-18 financial year. The progress made to date is summarized as Table 4-6.

**Table 7: Progress compilation of Municipal Human Settlement Plans**

Local Municipality	Progress
Nama Khoi	70%
Richtersveld	25%
Khâi-Ma	75%
Kamiesberg	60%
Hantam	35%
Karoo Hoogland	75%

Table 8: summarizes the human settlement needs as provided by the district office of Cooperative Governance Human Settlements and Traditional Affairs.

**Table 8: Human Settlement needs**

Municipality	Sites to be serviced	Housing Units	Toilets required	Upgrading of Hostels
Hantam		865		
Khâi Ma	No Info	No Info	428	
Kamiesberg		1680		
Richtersveld	100	169		
Nama Khoi	4103	4303	267	267
Karoo Hoogland		680		

## Project Management Unit (PMU)

The Council of the NDM took a decision for the establishing of a PMU at district level in order to support local municipalities within the district with MIG implementation.

This division is currently busy reviewing the Business Plan for the unit. Memorandum of Agreements will also be signed with municipalities interested in participating in the shared service function. It is the objective of the NDM to finalize the establishment of the PMU during the 2017/18 financial year.



## Municipal Infrastructure Grant

According to the Division of Revenue Act (DORA) the purpose of the MIG is to facilitate the planning, acceleration and implementation of various projects that will ensure basic services is supplied to communities.

The status of municipal expenditure for the 2016-17 municipal financial year is summarized in Table 9.

**Table 9: MIG progress at end of June 2017**

Municipality	MIG Allocation 2016/2017 '000.00	MIG Revised Allocation 2016/2017 '000.00	Amount transferred '000.00	Total Actual expenditure	% of Rev Alloc spent	Unspent funds at end of June 2017
Richtersveld	R 7 001	R 7 001	R 7 001	R 6 959 247.36	99	R 41 752.64
Nama Khoi	R 13 927	R 11 327	R 11 327	R11 327 000.00	100	R 0.00
Kamiesberg	R 8 406	R 8 406	R 8 406	R 7 232 625.48	86	R 1 173 374.52
Hantam	R 9 272	R 12 272	R 12 272	R 12 272 000.00	100	R 0.00
Karoo Hoogland	R 7 744	R 7 744	R 7 744	R 7 744 000.00	100	R 0.00
Khâi-Ma	R 15 430	R 15 430	R 15 430	R 6 604 219.13	43	R 8 825 780.87

Nama Khoi, Hantam, and Karoo Hoogland are all at 100% expenditure. Richtersveld is at 99% expenditure. The expenditure for Kamiesberg is at 86%. Khâi Ma is actually at 89% expenditure based on their initial grant. Khâi Ma received an R 8 000 000 additional funding for the development of sport facilities. These funds were allocated late and the municipality could not procure suitable service providers in time to spend the additional funds.

Table 10 is a summary of the municipal MIG expenditure over the previous four municipal financial years.

**Table 10: Four year (4) Municipal Expenditure Performance**

Municipality	2013/2014 %	2014/2015 %	2015/16	2016/17	Average 4 year % expenditure
Richtersveld	97	91	62	99	87.25
Nama Khoi	19	2	97	100	54.50
Kamiesberg	4	96	66	86	63.00
Hantam	100	100	99	100	99.75
Karoo Hoogland	92	100	62	100	88.50
Khâi Ma	13	100	42	43	49.50

Based on the 4 year expenditure figures, Hantam municipality is the best performing municipality with an average expenditure of 99.75%. Karoo Hoogland and Richtersveld municipalities are second and third best performing municipalities with expenditure figures of 88.50% and 87.25% respectively. Kamiesberg and Nama Khoi municipalities only managed to spend 63.00% and 54.50% of their 4 year allocated Municipal Infrastructure Grant. Khâi Ma municipality is the poorest performing municipality with a total expenditure of only 49.50% over the four year period.

### **Job Creation through infrastructure projects**

The NDM has a legal mandate to assist the category B-municipalities within its jurisdiction. In addition the NDM also aims to develop infrastructure within category B-municipalities to address service delivery and create job opportunities for the unemployed. The NDM is grant dependant and assist category B Municipality with developing urgent infrastructure using the Integrated Grant. Table 5-1 summarises the projects that were implemented by the NDM during the 2016/17 municipal financial year by using their own funds and allocated grant funding.



**Table 11: NDM projects implemented during 2016-17**

Municipality	Projects Implemented	Funder	Budget (R)	Exp (R)	Status	#WO's created
Kamiesberg	• Upgrading of Main Street in Leliefontein	Khotso Pula Nala	1 000 000.00	457 328.29	Incomplete	11
	• Removal of prosopis trees in Garies/Kheis	Integrated grant	791 000.00	560 064.20	Incomplete	49
	• Kamieskroon Construction of Ramp for Disabled	NDM	27 000.00		Completed	0
	• Lepelsfontein Construction of toilet	NDM	30 000.00	26 499.00	Completed	0
				29 300.00		
Karoo Hoogland	• Upgrading of Jupiter Street in Sutherland	Khotso Pula Nala	1 000 000.00	655 720.00	Incomplete	20
Khâi Ma	• Pofadder Construction of toilet for Disabled	NDM	29 000.00	27 390.00	Completed	0
Namakwa DM	• Paving of sidewalk at NDM head Office Springbok	Integrated grant		68 900.00	Completed	8
	• Paving at Namakwa District Tourism offices at Springbok	Integrated Grant	300 000.00	271 536.21	Incomplete	8

#WO's - Work Opportunities

### Khotso Pula Nala

The NDM allocated R1 000 000.00 Khotso Pula Nala Funds to both Karoo Hoogland and Kamiesberg Municipalities for the upgrading of streets as identified by these municipalities. The projects are also implemented by the Municipalities. The NDM only has a monitoring and oversight function. The progress on the projects are dependent on the implementation by these municipalities.

The upgrading of the Leliefontein Street is co-funded by the Kamiesberg Municipality with a total project budget of R 2 000 000.00. The percentage expenditure of the district allocated amount was about 46% at the end of June 2017. The project will be completed in the 2017-18 financial year.

The upgrading of Jupiter Street in Sutherland was at 66% expenditure at the end of June 2017. The project will also be completed in the 2017-18 financial year. The total jobs created through the implementation of this grant are 31.

### **Integrated grant**

As a result of supply chain procurement challenges the initial approved projects could not be implemented and we had to implement the projects as listed in Table 5-1. Through the implementation of these projects 65 temporary work opportunities was created. The person days worked amount to 3477 and about 15 Full Time Equivalents (FTEs) was created. A FTE is jobs created for 230 days. The district had a target of 7 FTEs according to the grant agreement. At the end of June 2017 the percentage expenditure was at 90%. We will apply for a rollover of the unspent funds to complete the Garies/Kheis removal of prosopis tree project.

### **Concluding Remarks**

Project implementation to achieve the objectives, as set out in the introduction, is not without its challenges. The vast distances between municipalities within the district and capacity constraints within municipalities are but a few.

The availability of funds to achieve our strategic goals remains a challenge as evident from the zero progress of some goals. The implementation of the new Ignite web base system as a means to better measure performance also proved to be successful.

The expenditure of the MIG also improved for all of the municipalities during 2016-17. All municipalities within the district had a higher expenditure percentage. The establishment of a district PMU as a shared service is still a high priority in order to assist municipalities with the implementation of MIG and support with other sectors.

The implementation of the RRAMS is also progressing well and all the planned deliverables for 2016/17 were achieved. We also received additional funding as a result of good performance which will be spent in



the 2017/18 financial year. The compilation of MHSSPs for all category B-municipalities are almost completed. These plans will also be completed in the 2017/18 financial year.

The NDM also managed to create temporary work opportunities for the unemployed. A total of 86 work opportunities were created through the implementation projects. This amount to a total FTEs of 16 created.

### 3.3 MUNICIPAL HEALTH SERVICES

Municipal Health Services address and focus on the wellbeing of the total population. It applies preventative health practices to sustain healthy communities and reduce illnesses associated with environmental factors.

#### Constitutional mandate:

**Section 24 of the South African Constitution of 1996 states that: “Everyone has the right to an environment that is not harmful to his/her health or wellbeing.”**

#### VISION

Prosperity and excellence in environmental health service delivery in promoting social wellbeing in all communities within the Namakwa District.

#### MISSION

Equitable, sustainable and accessible environmental health services through committed staff and involvement of communities, municipalities, relevant government departments and other role-players.

#### IDP PROJECTS / KPA's

PROJECT NR	PROJECT	TARGETS	ACTIONS TAKEN	TARGETS REACHED
D138	Water quality monitoring at Water Service Authorities in Namakwa.	5 WSA's	1176 samples (annual)	5 Water Service Authorities reached
D139	Environmental education initiatives	6	60 annually	127 Actions
D140	Integrated Waste Management Plan Air Quality Management Plan Climate Change Response Plan	3 plans	3	3

Operational plans are reviewed and changed annually as well as the KPA's/ IDP Projects.

**D139 – Additional programs with other department + EH Calendar**

### Environmental Health Calendar

The aim of this calendar is to set a direction for Municipal Health Services events in the Northern Cape. The themes of the calendar are linked to the Health Awareness Calendar of the National Department of Health.

Awareness has been raised on the following:

- World Cancer Day
- World TB Day
- World Water Day
- World Health Day
- Africa Malaria Day
- World No Tobacco Day
- World Environment Day
- World Environmental Health Day
- Global Hand Washing Day
- World Food Day
- World Aids Day

Health education is done within communities, schools, clinics etc. to raise awareness of the above mentioned.

### Notifiable Diseases

The Municipal Health Services unit in co-ordination with the Disease Outbreak Response Team of Department of Health is actively involved in the control of notifiable diseases in Namakwa. Monitoring, investigations and continuous educational actions are part of the preventative measures taken.

- **Tuberculosis**— cases were investigated, monitored and continuous awareness has been raised in order to prevent further spread of the disease.
- **Diarrhea**—an outbreak occurred in the Nama-Khoi municipal area and was investigated and handled appropriately.
- **Dogbites** —an incident occurred in the Nama-Khoi, Kamiesberg, Khâi Ma and Hantam municipal area and was investigated and handled appropriately.

### Water monitoring

Bacteriological and chemical drinking water monitoring is conducted monthly in every community to ensure safe drinking water to all in the Namakwa District. Practitioners are continuously providing guidance and training to municipal officials responsible for water services. Municipal water quality reports are distributed to municipalities and to the Department of Water and Sanitation.



## NAMAKWA ENVIRONMENTAL HEALTH PROJECTS

### INDOOR AIR QUALITY

*Source of exposure:* Siyaghopa Trading

*Pollutant:* Dust

There have been number of complaints received from Garies community about the dust that is being generated by Siyaghopa Trading in Garies. Siyaghopa Trading is a stone crushing company specializing in different grades of crushed stones and sand. The need was identified to conduct an Indoor Air Quality Survey on the community, so as to assess the level of exposure to the residents; to improve Air Quality in the community of Garies and to maintain Indoor Air Quality that does not cause harm, discomfort and ill health to humans.

Two days Indoor Air Quality Survey (Door to door) was conducted whereby 100 houses were reached as targeted and pamphlets with relevant information were distributed to the community.

#### *Part 2*

Health awareness will be done whereby the survey feedback will be presented. The community and all the stakeholders will be invited to the event.



*(Picture showing one of the household(Garies) where the survey was conducted)*

*Target area:* Garies community.

*Target group:* Men, Women and Children.

### WASTE MANAGEMENT

The focal point of the project is waste management. The three different areas that was targeted: Pofadder, Bergsig and Koiingnaas. Project activities will include clean-ups and health awareness campaigns with regards to the effective management of household waste.



## Objective

The main aim is to create awareness with regards to the effective management of household waste and also educate target groups on the importance of general hygiene.



## Recycling Project

An ongoing recycling project is one of the projects that is still ongoing. The project was presented purpose of the project was explained. An awareness campaign was done and questionnaires regarding waste recycling were handed out to the staff. Waste bins donated by Department of Environmental Affairs were placed at the offices of NDM. The following recyclables were identified:

- Cardboard
- Cans
- Paper
- Plastics &
- Ink cartridges

Recyclables are collected every 2 weeks by a recycling company and is being monitored regularly. Feedback on this project is done on our Quarterly Waste Forum Meetings.

## TOBACCO FREE SCHOOLS

A project on Tobacco Free Schools was identified after numerous evaluations at schools and complaints received. The project was conducted in conjunction with the Department of Education (Health and Safety officer at schools) and CANSA Springbok. The project where in two phases. *Phase 1* targeted the schools in the following towns namely Steinkopf, Okiep, Concordia, Nababeep, Bergsig, Springbok and Matjieskloof. Presentations were done with the teachers about the legislation that governs the use of tobacco (tobacco products control act no 63 of 2008), tobacco school policy and the statistics on tobacco, adverse health effects and costs implications and also information on where can one go to find help quit smoking was made.

*Phase 2* of the project involved teachers and the students. It has come to our attention that not only the teacher use tobacco products at schools but also the students. A school was identified to be our audience and focus group as a pilot. Health promoters and clinic was also involved with the awareness.





Zingisa: Comserv EHP

Mr Curnow of DOE

Me Baadjies of CANSA

## ABATTOIR MANAGEMENT, LICENCING, GENERAL HYGIENE AND SAFETY EDUCATION

### Problem Identification

There are problems that are occurring due to unsafe meat consumption due to lack of knowledge and ignorance of our communities buying meat at places that are not licensed to sell meat and abattoirs that are not registered. This cause both health and environmental problems. After an operational forum that was held. It came to our attention that there are abattoirs and shops that are operating and selling to the community without license and following right hygiene and safety methods while handling meat.

### Solutions

The goal of the project is to educate our community to always ensure they buy meat from registered/licensed places. Also to ensure that the butchery or shops they buy from get meat from registered abattoirs to reduce health problems.

### Outcomes

The short term outcome of this project is aimed at promoting safe meat and reducing food poisoning cases at health care facilities due to unsafe meat. Long term goal is to close all institutions (Butchery, Abattoirs) operating illegally due to community lacking knowledge. The more information/knowledge community members have regarding meat safety the more illegal operating businesses will close of and this can also reduce environmental pollution and to prevent illnesses.

*Target area:* Calvinia

*Target group:* Community



### **Municipal Health Services Forums:**

In Namakwa we have two registered forums namely:

- Namakwa Environmental Health– and
- Namakwa Water & Sanitation Forum.

These forums are both chaired by the Municipal Health Services unit and are functioning with its own constitution and quarterly meetings. All Environmental Health Practitioners of Namakwa are members of the Provincial Environmental Health Forum, which are chaired by the Environmental Health Services Unit of Department of Health and are attended bi – annually. Various stakeholders form part of these forums and it served as an ideal platform to discuss Municipal Health Services issues as well as internal training opportunities.

### **Community Service Programme**

Namakwa District Municipality accommodates EHP's which already completed their Diploma/Degree for the completion of their community service year which are compulsory. We accommodated two Community Service Environmental Health Practitioners for this year. These candidates were assisted in completing health and hygiene projects which were presented at an annual provincial ceremony.

### **Health Professions Council of South Africa:**

All Namakwa personnel are registered and in good standing with the Health Professions Council of South Africa (HPCSA). Annual fees and compliance with the continuous professional development system of this board are compulsory to all members.

### **Co-operative Governance**

Municipal Health Services are in partnership with Departments such as Environmental and Nature Conservation, Environmental Affairs, Water & Sanitation, Education and Veterinary Services as well as regional offices of Departments and role-players who can affect municipal health services positively.

Municipal Health Services are also part of the Youth in Environmental Services & Youth in Waste projects driven by Department of Environmental Affairs within Municipalities as these programmes also promoting the conservation of the environment and serves to promote our aim further more.

While MHS is serving six municipalities within Namakwa various NGO's and local community committees and organisations play an important role in advocating MHS as well as monitoring development of service delivery within MHS.



### 3.5 TOURISM

The 2016 Namakwa flower season was a true tourist draw card. Tourists in both our domestic and international market segments made the Namakwa region their tourism destination of choice during the months of August and September 2016. These tourists experienced flower viewing at its best at the Tankwa Karoo National Park, the Namakwa National Park, at Niewoudtville the bulb plant capital of the world, along the Namakwa coastline and in and around the historic copper mining towns. The late rainfall and warmer winter days than expected did not discourage the magical unfolding of the 2016 spring flower season in the Namakwa region.

Operation Phakisa's Marine and Coastal Tourism Plans are ready for submission on local and regional municipal levels where after it will go to the Northern Cape Provincial Cabinet this process will be followed by the final phase of approval by the national cabinet of the South African government.

The Namakwa Open Africa Routes namely; the Richtersveld Route, the Namakwa Coastal Route, the Cape to Namibia Route and the Karoo-Highlands Route are about to reach their full potential by means of their public private partnership approach.

The Namakwa 4x4 trails are a good product in our regional travel and tourism sector. THE Namakwa region as a tourism destination offers the Namakwa 4x4 eco trail that runs over three municipal areas along the mighty Orange River and the Diamond Coastal 4x4 shipwrecked trails along the Namakwa Coastline.

Green tourism is an essential tourism component that we at Namakwa Tourism began to focus on for with the absence of good summer rainfall figures we need to look at green tourism as developing area in our tourism product offering.

Namakwa Tourism participated at four national shows and local events that was hosted within the jurisdiction area of the Namakwa region for the 2016-17 financial year.

We have striven to align all our day to day functions with our SDBIB key performance indicators in order to comply with the overall standards that are set by Namakwa District Municipality's vision as the centre of excellence.

#### **Namakwa Flower Season 2016**

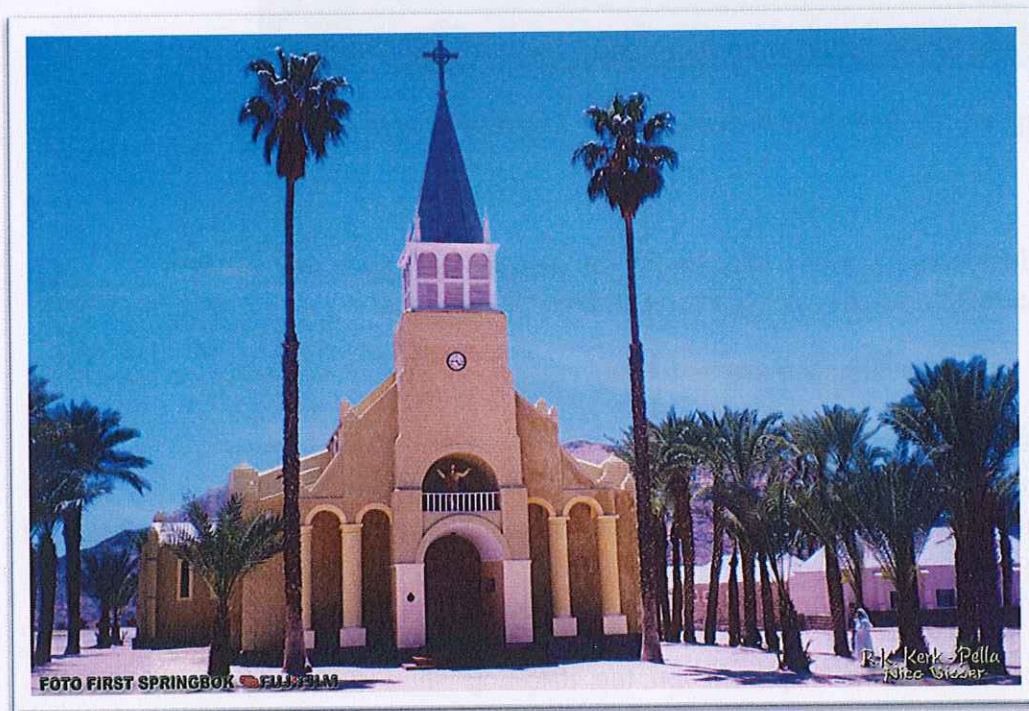
Namakwa Tourism has issued the first flower report on the first Monday in August 2016. A weekly flower update followed that was integrated with the weekly Cape West Coast flower update. The flower hotspots for the 2016 spring season were the Namaqua National Park, the Tankwa Karoo National Park, the copper mining towns, the coastal areas at Kleinsee and Hondeklip Bay, Niewoudtville as well as the Kommagas and Port Nolloth roads on route to the coast. The Namakwa flower hotline can be regarded as a champion in our flower product offering to the tourists during high season periods. This enquiry service is available to tourists from 08h00



during the morning until 20h00 during the afternoon every day of the week as well as on public holidays. The flower hotline number is active throughout the year and we also brand this contact number @ 0727606019 as the Easter/Winter Hotline as well as the Summer Hotline. The Niewoudtville Tourism Office reported on 45 busses that have arrived at their office during the months of August and September 2016. The Northern Cape Tourism Authority (NCTA) will support them financially with the reprinting of their well-known Niewoudtville flower checklist that is for sale to tourists at R30.00 per unit. This brochure/map flower checklist is assisting every tourist to become a flower expert by identifying the flowers by colour and texture.

There were days when the weather conditions did not play along with a good flower viewing experience but we advise tourists to participate in alternative experiences such as paying a visit to SALT or to do bird watching in either our parks or on the Namakwa Coastline.

There are a number of tourist experiences that tourists could choose from to complement their flower viewing experience while travelling along the Namakwa Flower Routes during the spring season. These alternative tourist activities varies from visiting historic buildings to adventure trips. The Pella Cathedral and the museums as well as other places of historic interest are major tourist attractions for the Namakwa region.



***(Pella Cathedral in the Khâi-Ma area)***

Namakwa has ended off a successful flower season and we can take pride in the fact that we have achieved a level in the tourism market where we could offer tourists more than just flowers and we even improved the flower product offerings quality in terms of reporting and the level of service rendering throughout the season.

We could regard the service offering as more organised and relevant to what tourists expect when booking or upon arrival.



We have a good travel and tourism network in the region as well as across the Northern Cape Province which contribute to the effective service delivery and market readiness of the Namakwa tourism industry.

### **The Namakwa Marine and Coastal Tourism Plan**



*(Horse riding on the beach at Alexander Bay in the Richtersveld region)*

The Marine and Coastal development plans are aiming at developing travel and tourism infrastructures as well as superstructures along the Namakwa West Coast.

The infrastructural aspects that were identified are as follow;

- Reinstating air access to the area
- Upgrading the roads to the coastline
- Improving municipal service delivery as a support base to create a conducive environment for tourism development
- Establishing tourism information centres in the coastal towns.

The National Department of Tourism has reported on the following short term projects that will be supported by the Alexkor mine group;

- Establishing a tourism visitor centre in Alexander Bay
- The reinstating of mine tours
- The upgrading and grading of guesthouses in Alexander Bay

There are also plans from the Northern Cape Provincial Department of Economic Development and Tourism to establish a tourism visitor information centre in Port Nolloth. This will be a joint venture among the following parties; Department Economic Development and Tourism, Open Africa, Richtersveld Municipality and Namakwa District Municipality.



We are looking forward to these proposed developments in the coastal and marine tourism sector of the Namakwa region.

### **Namakwa 4x4 Trails and Open Africa Routes**

The Namakwa region has positioned herself as a good competitor in the off the beaten track and 4x4 market. The most prominent 4x4 trails in the Namakwa region exist in the Khâi-Ma, Namakhoi, Richtersveld and Kamiesberg areas. Although 4x4 trails do not classify as Open Africa trails some of our less extreme 4x4 trails are listed with the Open Africa routes within the Namakwa region.



**(Aukwatowa Tours in the Richtersveld area)**

The Northern Cape Tourism Authority (NCTA) is of the opinion that we should groom the recently trained tourist guides as tour operators through SATSA in order to increase the GDP derived from tourist expenditure in our region.

The current situation is that tour operators who are based in other provinces are selling expensive Namakwa all inclusive packages to domestic as well as to international tourists.

We should create a conducive environment for the people of the Namakwa region to excel in the travel and tourism industry. Such an approach will gear us towards transformation of the travel and tourism market as well as to strengthen/stimulate the local travel and tourism sector.



## **Green Tourism**

Green tourism is an important tourism component that Namakwa as a tourism destination should structure her tourism development and marketing around. Due to the extreme dry conditions and low rainfall figures the prospects for a good flower season are limited. Green tourism activities have the potential to stimulate the local economy and strengthen community base tourism. Tourists could experience the following green tourism activities that Namakwa has to offer;

- Star gazing in the Karoo-Highlands
- Canoeing on the mighty Orange River
- Experience the Hantam hospitality at Rietjieshuis Eco Village near Niewoudtville
- Experience true Damara and Nama culture at Pella
- Hiking and biking in our national parks or nature reserves
- Eco trail 4x4ing along the Orange River
- Bird watching at the Orange River Mouth in Alexander Bay

## **Events**

Namakwa Tourism participated in the following events during the 2016-2017 financial year;

- Gauteng Getaway 2016
- Goegap open Day
- Nababeep Copper Festival 2016
- SKAL International Exhibition 2016
- Cape Getaway 2017
- Indaba 2017

We are proud to announce that the Northern Cape stand walked away with two prestigious prizes at both the Cape Getaway 2016 show as well as at the Indaba 2017. Namakwa Tourism were among the proud Northern Cape Exhibitors at both the above mentioned shows.

## **Conclusion**

Namakwa Tourism is grateful as a team for all the key performance areas that were met during this 2016-2017 financial year and will strive to improve our performance and achievements during the 2017-2018 financial year.



## CHAPTER 04: ORGANISATIONAL DEVELOPMENT PERFORMANCE REPORT (PART 2)

### COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONEL

This chapter deals with the organisational development and will look into municipal personnel, managing the workforce, capacitating the workforce and managing workforce expenditure.

The Namakwa District Municipality is only implementing performance management for the organisation as well as the senior managers. The municipality does not have a performance management system for the levels lower than senior management. SALGA has been contacted to assist with the implementation of a performance management system for the other levels of staff in the municipality.

#### 4.1 EMPLOYEE TOTALS TURNOVERS AND VACANCIES

EMPLOYEES					
DESCRIPTION	2015/2016	2016/2017			
	NO OF EMPLOYEES	APPROVED POSTS	NUMBER OF EMPLOYEES	VACANCIES	VACANCY %
Office of the Executive Mayor	6	6	6	0	0,00
Office of the Municipal Manager	12	15	13	2	13,33
Budget & Treasury Office	11	11	10	1	9,09
Economic Development & Planning	28	31	29	2	6,45
Corporate & Municipal Health Services	30	29	26	3	10,34
<b>TOTAL</b>	<b>87</b>	<b>92</b>	<b>84</b>	<b>8</b>	<b>8,70</b>

As mentioned in the previous annual report the works study is still in process. It was agreed with the unions that the job evaluation must be finalised before the work study will be implemented. A Placement Committee has been established which consists of union's representatives, councillors and managers, to finalised the placement process. The current vacancies exists due to the resolution that no vacancy will be filled before the work study has been implemented. After the local government elections, the staff in the political office has been re-appointed and a full-time Driver has been appointed for the new Speaker. The Manager: Municipal Health Services resigned and a new manager has been appointed.



## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

In terms of Section 67 of the Municipal Systems Act, Act 32 of 2000, a municipality, in accordance with the Employment Equity Act, Act 55 of 1998, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration.

The following policies were approved and reviewed.

### 4.2 POLICIES

HR POLICIES AND SOP's	
NO	NAME OF POLICY & SOP
1	Serving on professional structures
2	Productive work environment
3	Medical transmitted diseases
4	Car allowance
5	Overtime
6	In-service training
7	Acting
8	Employment
9	Training and development
10	Security
11	Performance management
12	Information, communication and technology
13	Attendance and absence
14	Placement

All the above policies have been reviewed by Council at a special workshop. The Placement policy is the only new policy that was approved by Council during this year.

### 4.3 INJURIES SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty				
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee
	Days	No.	%	Days
Required basic medical attention only	3	1	33%	1
Temporary total disablement				
Permanent disablement				
Fatal				
Total	3	1	33%	1



Number of days and Cost of Sick Leave (excluding injuries on duty)		
Salary band	Total sick leave	Employees using sick leave
	Days	No.
Lower skilled (Levels 1-3)	218	12
Skilled (Levels 4-8)	164	20
Highly skilled supervision (Levels 9-12)	167	25
Middle management (Levels 13-15)	8	3
Senior Management	1	1
Total	558	61

Although only one person reported an injury on duty for the year, it was unfortunate that the incident occurred. Preventive measures were put in place to stop such an incident of happening again.

A total of 558 days of sick leave were taken throughout the year by 61 employees 34 of the employees did not submit medical certificates for sick leave. Only four employees took more than 13 days sick leave to allow them to recover fully. Managers are responsible to monitor sick leave.

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
Human Resources Officer	Gross Insubordination	2017/05/04	Charged and hearing finalised. Employee resigned before sanction was announced	2017/07/10 - Resigned



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
Communication Officer	<ol style="list-style-type: none"> <li>1. An employee was dismissed. He received stationery the day before he was dismissed. The stationery was not found in his office or handed back in. The employee was requested to hand back the stationery but he never did.</li> <li>2. An employee resigned and was supposed to hand in all his working tools which included a laptop, 3G modem and camera. All 3 instruments were handed in and signed for. It was then discovered that the sim card in the modem is not the one handed to the employee. The modem was used until the sim card was blocked.</li> </ol>	Settlement reached and case withdrawn after employee paid back the money	
Project Manager	A report was received from a contractor that an employee requested bribes for work he is supposed to do. The bribes was paid to the employee	Investigation not finalised yet	

Only one employee has been suspended. The employee resigned before the disciplinary case was finalised.

Three cases of financial misconduct were reported to the Disciplinary Board. Preliminary investigations was conducted and reports submitted to Council. Two cases were withdrawn after a settlement was reached with the employee and he paid back the money to the Municipality. The other case is still being investigated.

#### 4.4 PERFORMANCE REWARDS

The Municipality did not reward any employee for good performance.

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### 4.5 SKILLS DEVELOPMENT AND TRAINING

According to the Municipal Systems Act, Act 32 of 2000, a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act, Act 81 of 1998, and the Skills Development Levies Act, Act 28 of 1999.

The Workplace Skills Plan was submitted on time. The municipality was not able to implement all the planned training due to the available budget. The municipality spent 89% of the budgeted amount on the implementation of its Workplace Skills Plan. The total number of beneficiaries, which include Councillors and employees, were 87. See the table below.

Skills Matrix					
Management level	Gender	Number of skilled employees required and actual as at 30 June 2017			
		Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators	Female		5		5
	Male		7		7
Managers	Female		1		1
	Male		6		6
Professionals	Female		6		6
	Male		8		8
Community & Personal Service Workers	Female		1		1
	Male		1		1
Clerical & Administrative Workers	Female		8		8
	Male		4		4
Elementary Workers	Female		5		5
	Male				
Sub total	Female		13		13
	Male		22		22
Total			87		87

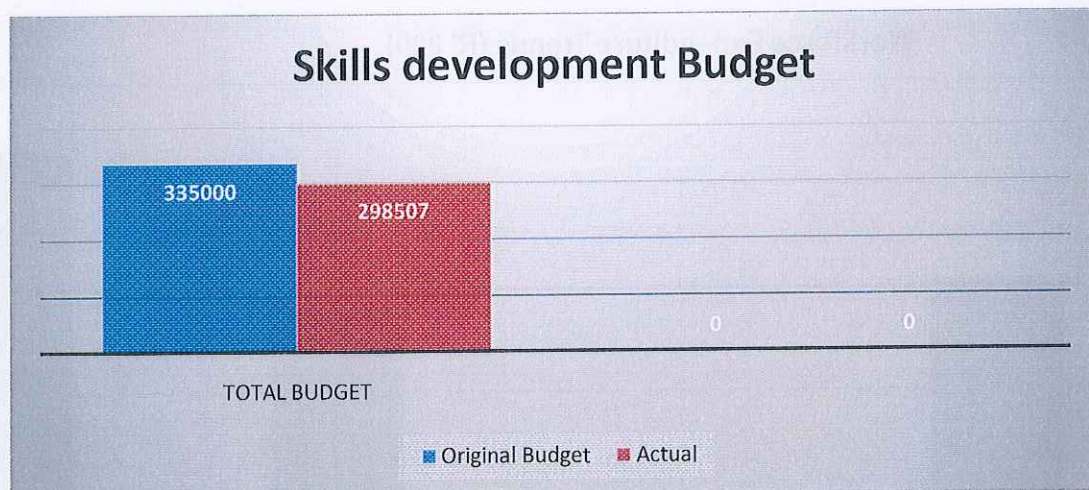


### Financial Competency Development: Progress Report

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))
<b>FINANCIAL OFFICIALS</b>						
<i>Accounting officer</i>	1	0	1	1	0	0
<i>CFO</i>	1	0	1	1	0	0
<i>Senior managers</i>	2	0	2	2	0	0
<i>Any other financial officials</i>	8	0	8	8	0	0
<b>SUPPLY CHAIN MANAGEMENT OFFICIALS</b>						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>

### Skills Development Expenditure

Description	Original Budget and Actual Expenditure on skills development for the 2016/2017 financial year					
	Learnerships		Skills programmes & other short course		Total	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
<b>Total Budget</b>			R 335 000	R 298 507	R 335 000	R 298 507



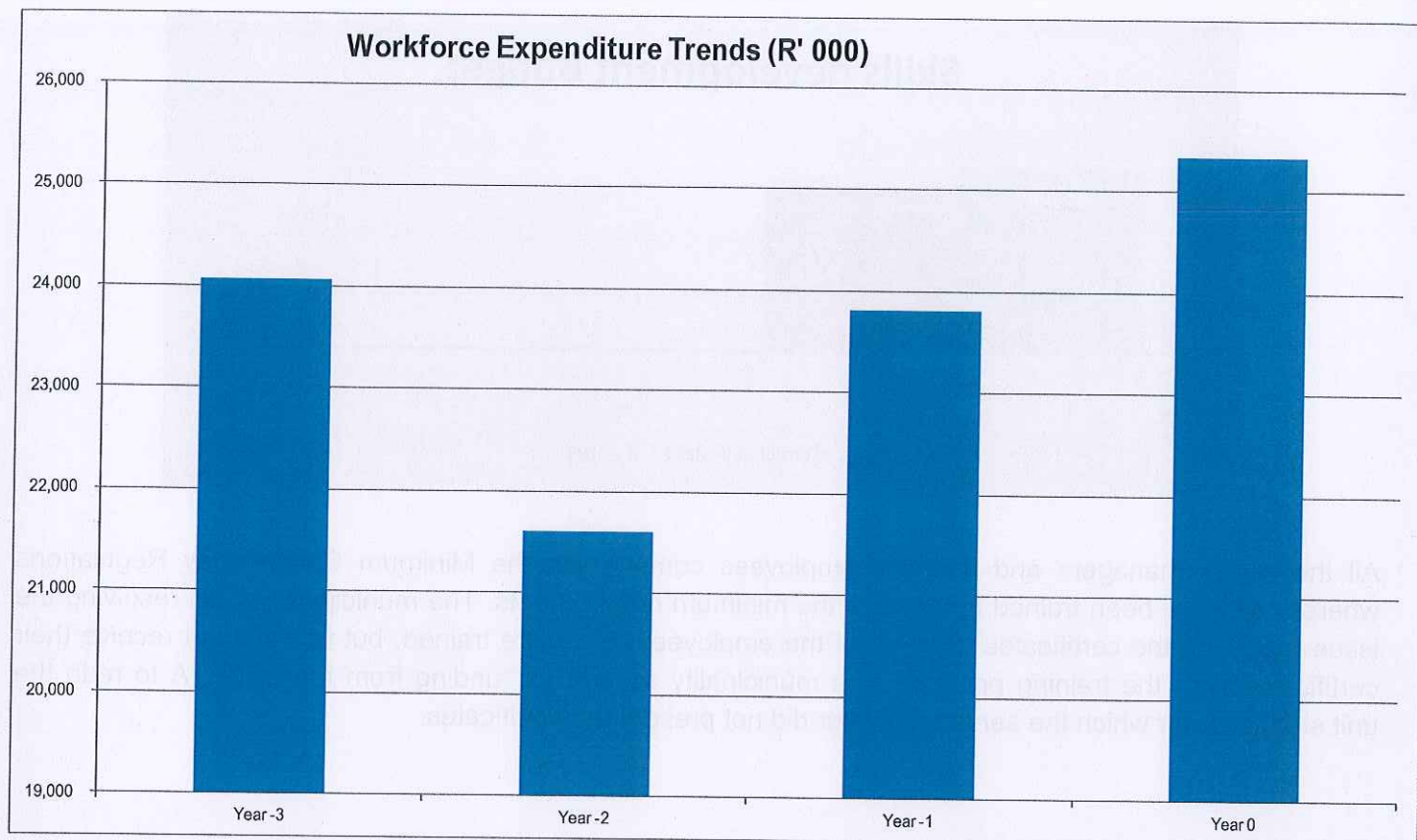
All the senior managers and financial employees comply with the Minimum Competency Regulations whereby all have been trained in terms of the minimum requirements. The municipality is still resolving the issue regarding the certificates of some of the employees who were trained, but who did not receive their certificates from the training provider. The municipality applied for funding from the LGSETA to redo the unit standards for which the service provider did not present the certificates.

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### 4.6 EMPLOYEE EXPENDITURE

The municipality have a salary budget of R31 766 000 which represents 31.7% of the budget. No vacancies have been filled to allow the municipality to implement its work study. The municipality is currently using temporary staff from an unemployed data base to execute the General Assistant duties and has appointed someone on contract as LED Officer.





During the 2016/2017 financial year there were no one whose salary was increased due their position being upgraded. All employees received the wage increase as determined by the South African Local Government Bargaining Council (SALGBC).

All the employees were paid in terms of the TASK Wage Curve as applicable to a Category 2 municipality. There are only six employees who earn more then what was determined by the job evaluation that was done in 2010. These six employees only receive the cost-of-living increase as negotiated by SALGBC.

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Senior Environmental Health Practitioner	2	12	13	Employees earned more than the outcome after job evaluation
Chief Administration Officer (PMS)	1	12	13	Employees earned more than the outcome after job evaluation
Radio Control Officer	3	5	6	Employees earned more than the outcome after job evaluation

There were no appointments made in positions that do not exist on the organogram. All the positions are on the approved organogram.

## 4.7 DISCLOSURE OF FINANCIAL INTERESTS

All employees and Councillors disclosed their financial interests as determined by the Municipal Systems Act, Act 32 of 2000. The information is available at the head office in Springbok.

### MAINTENANCE AND HOUSEHOLD SERVICES DIVISION

This division is responsible for the maintenance of Council property and management of its vehicle fleet.

Our mission is to ensure efficient, effective and economic utilization of departmental resources to maximize service delivery.

### ROLES AND RESPONSIBILITIES

We are responsible for rendering the following line functions:

- Administrative support services
- Property management
- Record management, maintenance and archive services
- Reception services
- Messenger and cleaning services
- Switchboard services
- Maintenance of Council Buildings
- Management of Council Fleet

Employees				
Job Title	Year 2016/17	Year 2016/17		
	Employees	Posts	Employees	Vacant
Manager Maintenance and Household	1	1	1	0
Maintenance and Fleet management	2	2	2	0
Registration	2	2	2	0
Household Services	6	7	6	1
Front Office	1	2	1	1
Information Technology	2	2	2	0



## ARCHIVES

Namakwa District Municipality made history when she packed its records dating back from 1962 up to 1996. Records has been properly prepared for transfer by placing them in acid free archival containers and bundled them in chronological order according to the classification system used by "Afdelingsraad" back then and transported for safekeeping to the new Archives in Kimberley.



**Administration personnell prepared records for transfer**



### **ACCOMPLISHMENT ENDING IN THE YEAR 2016:**

- The new additions and revisions of our file plan was approved by Provincial Archives;
- The review of the Records management policy and the E-mail policy took place with the staff and awaiting Council approval.
- We attend two (2) forum meetings. The records forum enable us to share good practices, give guidance and assist municipalities in order to comply with the Archives Act.



## MAINTENANCE OF COUNCIL PROPERTIES

Council is in possession of various properties which are utilised as offices and for residential purposes and are maintained on a continuous basis.

### ACCOMPLISHMENT ENDING IN THE YEAR 2017:

1. The operational and Capital budget for maintenance was spent in full.
2. All Council properties are occupied.
3. During maintenance/ renovations of council properties, 82 community members have been employed on the EPWP principles. This contributed to a saving in the maintenance budget due to the fact that individuals, upcoming contractors, and disabled persons, were given the job opportunity.
4. Maintenance on infrastructure is one of the priorities of Namakwa district Municipality. Residential buildings was upgrade and maintenance was done by community members. Old sewerage pipes were replace with new pvc pipes, houses were upgraded to expand its lifecycle.



**Community members busy paving the parking area at NDM Guesthouse**



## FLEET MANAGEMENT

The council has 18 vehicles, two of which are converted to disaster vehicles. Although all the vehicles is in running order, the budget is limited to buying new vehicles.



DISASTER VEHICLE

## CHAPTER 05: ANNUAL FINANCIAL STATEMENT

### Annual Financial Statements

for

### *Namakwa District Municipality*

for the year ended 30 June: 2017

Province:

Northern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:	
Name of Municipal Manager:	Christiaan Jacobus Fortuin
Name of Chief Financial Officer:	Rajiv Datadin
Contact telephone number:	(027) 712 8000
Contact e-mail address:	rajivd@namakwa-dm.gov.za
Name of contact at provincial treasury:	
Contact telephone number:	Michelle Cloete
Contact e-mail address:	(027) 712 1488
Name of relevant Auditor:	Auditor-General
Contact telephone number:	(053) 836 8871
Contact e-mail address:	RelebeletseR@agsa.co.za
Name of contact at National Treasury:	Irene Mathatho
Contact telephone number:	irene.mathatho@treasury.gov.za
Contact e-mail address:	012 315 5079





**Namakwa District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**General information**

**Current Members of the Council**

BG Vass	Mayor
M Groenewaldt	Speaker
WJ Links	Member of the Executive Committee
HJ Jack	Member of the Executive Committee
GY Pieters	Member of the Executive Committee
CK Klaase	Member
AS Rooi	Member
CR Warne	Member
JE Davids	Member
G Gous	Member
SC Nero	Member
ZP De Jongh	Member
AM Beukes	Member
GJ Coetzee	Member
CG Coetzee	Member

**Municipal Manager**

Christiaan Jacobus Fortuin

**Chief Financial Officer**

Rajiv Datadin

**Grading of Local Authority**

The Namakwa District Municipality includes the municipal areas of Khal-Ma Municipality, Nama Khoi Municipality, Richtersveld Municipality, Kamiesberg Municipality, Hantam Municipality and Karoo Hoogland Municipality.

**Nature of business**

The Namakwa District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996).

**Auditors**

Auditor-General

**Bankers**

Absa Bank

Nedbank

**Attorneys**

Schreuders Attorneys

Nash Vandayor & Associates

T Nyanlungu Incorporated

Reagon Brown Inc

Matthews & Partners

TNK Attorneys

Ndaba I/a H&E Inc

GN Moabelo



Namakwa District Municipality  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017

General Information (continued)

Registered Office: Namakwa District Municipality Building

Physical address: Van Riebeeck Street  
Springbok  
8240

Postal address: Private Bag X20  
SPRINGBOK  
8240

Telephone number: (027) 712 8000

Fax number: (027) 712 8040

E-mail address: [info@namakwa-dm.gov.za](mailto:info@namakwa-dm.gov.za)

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 Systems Amendment Act (Act no 7 of 2011)  
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  
Municipal Budget and Reporting Regulations



Namakwa District Municipality  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Approval of annual financial statements

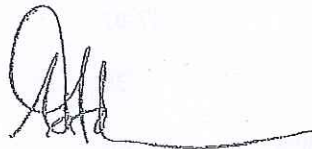
I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 5 to 93 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with 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 2018 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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



Municipal Manager: Christiaan Jacobus Fortuin

Thursday, 31 August 2017



**Namakwa District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual amounts - Statement of Financial Position	9
Statement of Comparison of Budget and Actual amounts - Statement of Financial Performance	10-11
Statement of Comparison of Budget and Actual amounts - Cash Flow Statement	12
Accounting Policies	13-46
Notes to the Annual Financial Statements	47-87
Appendix A: Schedule of External Loans	88
Appendix B: Segmental Statement of Financial Performance - Municipal Votes	89
Appendix C: Segmental Analysis of Property, Plant and Equipment	90
Appendix D: Segmental Statement of Financial Performance - General Finance Statistics	91
Appendix E: Actual versus Budget (Acquisition of Property, Plant and Equipment)	92
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	93

**Namakwa District Municipality**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2017

	Note	2017 R	2016 R
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	2	8 228 114	18 976 151
Receivables from non-exchange transactions	3	2 498 389	18 772 333
VAT receivable	9	111 474	265 528
Non-current assets			
Investments	4	1 146	1 146
Property, plant and equipment	5	7 438 782	8 925 247
Intangible assets	6	516 048	748 600
Investment property carried at cost	7	108 750	98 043
<b>Total assets</b>		<b>18 902 703</b>	<b>47 787 047</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables from exchange transactions	8	5 514 288	9 658 106
Current employee benefits	10	3 513 610	3 445 629
Current portion of unspent conditional grants and receipts	11	3 217 910	3 575 063
Current portion of finance lease liability	12	138 186	127 194
Non-current liabilities			
Non-current finance lease liability	12	91 222	229 408
Non-current employee benefits	13	16 905 968	18 101 481
<b>Total liabilities</b>		<b>29 381 183</b>	<b>35 136 780</b>
<b>Net assets</b>		<b>(10 478 480)</b>	<b>12 650 267</b>
<b>NET ASSETS</b>			
Reserves		10 628	13 431
Accumulated surplus / (deficit)		(10 489 109)	12 636 836
<b>Total net assets</b>		<b>(10 478 480)</b>	<b>12 650 267</b>



**Namakwa District Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2017

	Note	2017 R	2016 R
Revenue			
Revenue from Non-exchange Transactions		44 192 903	47 893 590
Transfer Revenue			
Government grants and subsidies	17	43 052 631	47 269 757
Other Revenue			
Actuarial Gains	18	1 140 272	623 833
Revenue from Exchange Transactions		2 596 135	3 282 453
Rental of facilities and equipment	14	670 916	642 734
Interest earned - external investments	15	1 466 565	1 853 637
Interest earned - outstanding receivables	16	72 008	63 074
Other income	18	386 646	723 008
<b>Total revenue</b>		<b>46 789 038</b>	<b>51 176 043</b>
Expenses			
Employee related costs	19	25 908 273	27 690 875
Remuneration of councillors	20	2 829 018	2 867 734
Bad debts written off		-	222 503
Actuarial losses	13	-	39 479
Depreciation and amortisation expense	21	1 965 349	2 071 782
Finance costs	22	1 699 425	1 666 560
Contracted services	23	2 611 198	7 753 816
Grants and subsidies paid	24	1 013 582	706 691
Operational Costs	25	14 727 673	16 063 331
<b>Total expenses</b>		<b>50 754 518</b>	<b>59 082 672</b>
Gain / (loss) on sale of assets	26	(16 248)	30 996
Debt impairment	3	(19 135 950)	(182 529)
(Impairment loss) / Reversal of impairment loss	27	(11 069)	(2 077)
<b>Surplus / (deficit) for the period</b>		<b>(23 128 748)</b>	<b>(8 060 239)</b>

**Namakwa District Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2017

Note	Contingency Fund	Maintenance fund	Capital Replacement Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R	R	R
Balance at 30 June 2015	75 679	-	482 750	538 429	20 213 241	20 751 670
Correction of prior period error	-	-	-	-	(41 164)	(41 164)
Restated balance	75 679	-	482 750	538 429	20 172 078	20 710 506
Transfer from reserves	(74 500)	-	-	(74 500)	74 500	-
Property, Plant and Equipment purchased	-	-	(82 858)	(82 858)	82 858	-
Transfer to CRF	-	-	(367 639)	(367 639)	367 639	-
Surplus / (deficit) for the period	1 179	-	12 252	13 431	(8 060 238)	(8 060 238)
Balance at 30 June 2016	(1 179)	-	-	(1 179)	12 636 836	12 650 267
Transfer from reserves	-	-	(1 516)	(1 516)	1 516	-
Property, Plant and Equipment purchased	-	-	(108)	(108)	108	-
Transfer to CRF	-	-	-	-	(23 128 748)	(23 128 748)
Surplus / (deficit) for the period	-	-	-	-	(10 489 109)	(10 489 109)
Balance at 30 June 2017	-	-	10 628	10 628	(10 489 109)	(10 478 480)



Namakwa District Municipality  
CASH FLOW STATEMENT  
as at 30 June 2017

	Note	2017 R	2016 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		44 365 027	55 824 597
Taxation - Property Rates		72 008	60 746
Sales of goods and services		-	-
Grants		42 695 478	48 754 805
Interest received		1 466 565	1 853 637
Other receipts		130 976	5 155 408
Payments		54 701 514	64 359 907
Employee costs		30 370 167	31 438 045
Suppliers		24 277 638	32 847 130
Interest paid		53 709	74 732
Other payments		-	-
Net cash flows from operating activities	29	(10 336 487)	(8 535 310)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(284 356)	(313 541)
Purchase of Intangible Assets		-	-
Proceeds from disposal of assets		0	75 914
Purchase of foreign currency securities		-	-
Net cash flows from investing activities		(284 356)	(237 627)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans raised		-	20 696
Repayment of borrowings		(127 193)	(104 687)
Net cash flows from financing activities		(127 193)	(83 992)
Net increase / (decrease) in net cash and cash equivalents		(10 748 037)	(8 856 929)
Net cash and cash equivalents at beginning of period		18 976 151	27 833 079
Net cash and cash equivalents at end of period	30	8 228 114	18 976 151

Namakwa District Municipality  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION  
for the year ended 30 June 2017

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2017	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	43.2.1	23 211 114	249 630	23 460 744	-	23 460 744	1 019 700	-95.66%
Call Investment Deposits		-	-	-	-	-	7 209 414	100.00%
Consumer Debtors		-	-	-	-	-	-	-
Other Debtors	43.2.1	0	(0)	-	-	-	2 609 863	100.00%
Current Portion of long-term receivables		-	-	-	-	-	-	-
Inventory		-	-	-	-	-	-	-
<b>Total Current Assets</b>	43.2.1	23 211 114	249 630	23 460 744	-	23 460 744	10 837 977	-53.80%
<b>Non-Current Assets</b>								
Long-term receivables		-	-	-	-	-	-	-
Investments		1 146	-	1 146	-	1 146	1 146	-
Investment Property	43.2.2	81 421	-	81 421	-	81 421	109 750	33.56%
Investment in Associates		-	-	-	-	-	-	-
Property, Plant and Equipment	43.2.2	7 011 057	681 200	7 692 257	-	7 692 257	7 438 782	-3.30%
Agricultural Assets		-	-	-	-	-	-	-
Biological Assets		-	-	-	-	-	-	-
Intangible Assets		555 442	-	555 442	-	555 442	516 048	-7.09%
Other Non-Current Assets		-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	43.2.2	7 649 066	681 200	8 330 266	-	8 330 266	8 064 726	-3.19%
<b>TOTAL ASSETS</b>		30 860 180	930 830	31 791 010	-	31 791 010	18 902 703	-40.54%
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft		-	-	-	-	-	-	-
Borrowing	43.2.3	-	-	-	-	-	138 186	100.00%
Consumer Deposits		-	-	-	-	-	-	-
Trade and Other Payables	43.2.3	6 076 998	-	6 076 998	-	6 076 998	8 732 198	43.69%
Provisions	43.2.3	1 964 569	-	1 964 569	-	1 964 569	3 513 610	78.85%
<b>Total Current Liabilities</b>	43.2.3	8 041 567	-	8 041 567	-	8 041 567	12 383 994	54.00%
<b>Non-Current Liabilities</b>								
Borrowing	43.2.4	51 308	-	51 308	-	51 308	91 222	77.79%
Provisions	43.2.4	20 358 917	-	20 358 917	-	20 358 917	16 905 968	-16.96%
<b>Total Non-Current Liabilities</b>	43.2.4	20 410 226	-	20 410 226	-	20 410 226	16 997 189	-16.72%
<b>TOTAL LIABILITIES</b>		28 451 793	-	28 451 793	-	28 451 793	29 381 183	3.27%
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	43.2.6	2 019 859	930 830	2 950 689	-	2 950 689	(10 489 109)	-455.48%
Reserves	43.2.6	388 529	-	388 529	-	388 529	10 628	-97.26%
Minorities' Interests		-	-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	43.2.6	2 408 387	930 830	3 339 217	-	3 339 217	(10 478 480)	-413.80%



**Namákwa District Municipality**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2017

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome		Actual Outcome as % of Final Budget
						R	R	R	R	
<b>REVENUE</b>										
Property Rates	-	-	-	-	-	-	-	-	-	-
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	-	-
Service Charges - Electricity Revenue	-	-	-	-	-	-	-	-	-	-
Service Charges - Water Revenue	-	-	-	-	-	-	-	-	-	-
Service Charges - Sanitation Revenue	-	-	-	-	-	-	-	-	-	-
Service Charges - Refuse Revenue	-	-	-	-	-	-	-	-	-	-
Service Charges - Other Revenue	-	-	-	-	-	-	-	-	-	-
Rental of Facilities and Equipment	-	-	-	-	-	-	-	-	-	-
Interest Earned - External Investments	43.2.6	770 000	-	-	-	770 000	-	670 915	-	-12.87%
Interest Earned - Outstanding Debtors	43.2.6	2 830 000	-	-	-	2 830 000	-	1 466 565	-	-48.18%
Dividends Received	43.2.6	60 000	-	-	-	60 000	-	72 008	-	20.01%
Fines	-	-	-	-	-	-	-	-	-	0.00%
Licences and Permits	-	5 000	-	-	-	5 000	-	-	-	-100.00%
Agency Services	-	-	-	-	-	-	-	-	-	0.00%
Transfers Recognised - Operational	43.2.6	11 993 000	-	-	-	11 993 000	-	-	-	-100.00%
Other Revenue	43.2.6	77 098 244	3 136 152	80 234 396	-	80 234 396	-	43 052 631	-	-46.34%
Gains on Disposal of PPE	43.2.6	127 200	1 018 000	1 145 200	-	1 145 200	-	1 526 916	-	33.33%
<b>Total Revenue (excluding capital transfers and contributions)</b>	43.2.6	82 883 444	4 154 152	97 037 596	-	97 037 596	-	46 789 038	-	-51.78%
<b>EXPENDITURE</b>										
Employee Related Costs	-	-	-	-	-	-	-	-	-	-
Remuneration of Councillors	-	-	-	-	-	-	-	-	-	-
Debt Impairment	-	-	-	-	-	-	-	-	-	-
Actuarial Losses	-	-	-	-	-	-	-	-	-	-
Depreciation and Asset Impairment	-	-	-	-	-	-	-	-	-	-
Finance Charges	43.2.7	2 193 500	-	-	-	2 193 500	-	1 965 349	-	-10.40%
Bulk Purchases	43.2.7	1 618 324	47 618	1 665 942	-	1 665 942	-	1 699 425	-	2.01%
Other Materials	-	-	-	-	-	-	-	-	-	0.00%
Contracted Services	-	-	-	-	-	-	-	-	-	0.00%
Transfers and Grants	43.2.7	40 266 038	-	40 266 038	-	40 266 038	-	2 611 198	-	-93.52%
Other Expenditure	43.2.7	-	1 683 000	1 683 000	-	1 683 000	-	1 013 582	-	-39.78%
Loss on Disposal of PPE	43.2.7	20 675 539	2 156 069	22 831 608	-	22 831 608	-	14 738 743	-	-35.45%
<b>Total Expenditure</b>	43.2.7	100 409 335	3 223 322	103 632 657	-	103 632 657	-	69 917 785	-	-32.53%

Surplus/(Deficit)	(7 525 891)	930 830	(6 595 061)	-	(6 595 061)	(23 128 748)	250.70%
Transfers Recognised - Capital	-	-	-	-	-	-	-
Contributions Recognised - Capital	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions	(7 525 891)	930 830	(6 595 061)	-	(6 595 061)	(23 128 748)	250.70%
Taxation	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	(7 525 891)	930 830	(6 595 061)	-	(6 595 061)	(23 128 748)	250.70%
Attributable to Minorities	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	(7 525 891)	930 830	(6 595 061)	-	(6 595 061)	(23 128 748)	250.70%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(7 525 891)	930 830	(6 595 061)	-	(6 595 061)	(23 128 748)	250.70%



Namakwa District Municipality  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT  
for the year ended 30 June 2017

Notes	Original Budget		Budget Adjustments		Final Adjustment Budget		Shifting of Funds		Virement		Final Budget		Actual Outcome		Actual Outcome as % of Final Budget	
	R		R		R		R		R		R		R		R	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>																
Receipts																
Ratepayers and other																
Government - Operating	43.2.8	13 840 444	1 018 000		14 658 444						14 658 444		202 384		-98.62%	
Government - Capital	43.2.8	76 353 000	3 135 152		79 488 152						79 488 152		42 489 686		-46.53%	
Interest	43.2.8	-	-	-	-						-		195 782		100.00%	
Dividends	43.2.8	2 890 000	-	-	2 890 000						2 890 000		1 466 565		-49.25%	
Payments																
Suppliers and Employees																
Finance Charges	43.2.8	(96 505 149)	(3 175 704)		(99 680 853)						(99 680 853)		(53 634 223)		-46.19%	
Transfers and Grants	43.2.8	(1 618 324)	(47 618)		(1 665 942)						(1 665 942)		(53 709)		-96.78%	
Net Cash from/(used) Operating Activities	43.2.8	(5 240 029)	930 830		(4 309 199)						(4 309 199)		(1 013 582)		-100.00%	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>																
Receipts																
Proceeds on disposal of PPE	43.2.9	-	-	-	-						-		0		-100.00%	
Decrease/(Increase) in Non-Current Debtors		-	-	-	-						-		-		-	
Decrease/(Increase) in Other Non-Current Receivables		-	-	-	-						-		-		-	
Decrease/(Increase) in Non-Current Investments		-	-	-	-						-		-		-	
Payments																
Capital Assets																
Net Cash from/(used) Investing Activities	43.2.9	(93 000)	(681 200)		(774 200)						(774 200)		(284 356)		-83.27%	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>																
Receipts																
Short Term Loans		-	-	-	-						-		-		-	
Borrowing long term/refinancing		-	-	-	-						-		-		-	
Payments																
Repayment of Borrowing																
Net Cash from/(used) Financing Activities	43.2.10	(46 685)	-		(46 685)						(46 685)		(127 193)		172.45%	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>																
Cash and Cash Equivalents at the year begin:	43.2.10	(5 379 713)	248 630		(5 130 083)						(5 130 083)		(10 740 037)		109.51%	
Cash and Cash Equivalents at the year end:		28 590 827	-		28 590 827						28 590 827		18 976 151		-33.63%	
		23 211 114	248 630		23 460 744						23 460 744		8 228 114		-64.93%	

**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

**1.1. BASIS OF PREPARATION**

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board 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 2015) 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 or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual 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 Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are presented in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual 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 accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. 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 made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total 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 are disclosed as separate additional financial statements, namely Statements 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 annual financial statements.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2016/17 financial year.

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>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.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></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>	Unknown
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to</p>	Unknown



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<p>the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

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

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

## **1.10. LEASES**

### **1.10.1. Municipality as Lessee**

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 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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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.

**1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

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 revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.11. 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 liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- The cash which backs up the creditor is invested 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 liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present 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 pre-tax 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 possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

The amount recognised as a provision shall be 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 derecognised.

#### **1.14. EMPLOYEE BENEFITS**

##### **(a) 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 charged against income in the year they become payable.

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

##### **(b) 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% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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 fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against 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 charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically 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 charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

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

**(d) 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.

Accumulated 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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**(e) Staff Bonuses**

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.

**(f) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity 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 entity 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.

**1.15. 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 shall be 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 entity, 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 measure at fair value (the cost).



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

If the acquired item's fair value was 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**

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits 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 annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads, pavements and bridges	10-30	General Vehicles	5-15
Storm Water	20	Specialised Vehicles	5-15
Electricity	20-30	Plant & Equipment	3-25
Water	15-20	Computer Equipment	3-20
Sanitation	15-20	Furniture and other office equipment	3-25
Waste Management	30	Abattoirs	20-30
Other		Markets	20-30
		Other Buildings	50
<b>Community</b>		<b>Finance lease assets</b>	
Sports fields and Stadia	20-30	Office equipment	7
Housing	20-30	Other assets	7
Recreation			

**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Facilities	20-30		
<b><u>Community (continue)</u></b>			
Community Halls	20-30		
Libraries	20-30		
Parks and gardens	20-30		
Clinics	20-30		
Security and Policing	5		
Other Buildings	15-50		

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 charged to 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 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

- is separable, i.e. is capable of being separated or divided from the entity 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 entity or from other rights and obligations.

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was 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 accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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 their 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>Intangible Assets</u>	<u>Years</u>
Computer Software	4 -15
Computer Software Licenses	4 -15

**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 depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.17. INVESTMENT PROPERTY**

**1.17.1. Initial Recognition**

Investment property shall be 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 entity, 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



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 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.

<u>Investment Property</u>	<u>Years</u>
Buildings	50

**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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**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 2007.

**1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.18.1. Cash generating assets**

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

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

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

**(a) External sources of information**

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

**(b) Internal sources of information**

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



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- 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 cash-generating unit'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.

**1.18.2. Non-cash-generating assets**

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

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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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 recorded 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:

- *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.



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- *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.

#### 1.19. NON CURRENT INVESTMENTS

Financial instruments, 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 period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

**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.

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, finished goods, and materials and supplies, 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.

**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). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**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.

**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, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). 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 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. 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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

**1.21.2.2. Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, 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: other financial liabilities carried at amortised cost.

**1.21.3. De-recognition**

**1.21.3.1. Financial Assets**

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

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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 derecognition 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**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables arises from 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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1.22.2. Subsequent 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:



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- 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 raised 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. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

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

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

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

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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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 shall be 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.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**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:



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- 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.

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 entity 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 entity.

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:



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- 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 FUNCTIONS (Municipality as 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 acquiree; and



NAMAKWA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- (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 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 acquiree (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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

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

**1.26. 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 entity. 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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

Management judgement is required when recognising and measuring contingent liabilities.

### **1.30. 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:

#### ***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 13 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### ***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.

#### ***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:



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

- 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.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement 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.

#### ***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.

#### ***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



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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.

#### ***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.

#### ***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.

#### ***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### **1.31. 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.



**NAMAKWA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1.32. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		33	500
Cash at bank		1 018 667	3 685 146
Call deposits		7 209 414	15 290 290
Correction of Error	Note 28.4	-	214
		<u>8 228 114</u>	<u>18 976 151</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R1 786 036 are held to fund the Unspent Conditional Grants (2016: R2 991 964).

The Municipality has the following bank accounts: -

Current Account (Current Primary Bank Account)

Nedbank Limited - Account Number 1140945939 (Primary Bank Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>568 575</u>	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>573 148</u>	-

Current Account (Previous Primary Bank Account)

ABSA Bank Limited - Account Number 2210000014 (Primary Bank Account):

	450 092	3 685 146
Cash book balance at beginning of year	<u>3 685 360</u>	<u>1 312 228</u>
Cash book balance at end of year	<u>450 092</u>	<u>3 685 360</u>
Bank statement balance at beginning of year	<u>3 685 384</u>	<u>1 320 683</u>
Bank statement balance at end of year	<u>450 092</u>	<u>3 685 384</u>



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note	2017 R	2016 R
<u>Call Investment Deposits</u>		
Nedbank Limited - Account Number 03/7662031837 (Capital Replacement Reserve):	16 651	-
ABSA Bank Limited - Account Number 2218151720 (Capital Replacement Reserve):	-	12 252
Nedbank Private Wealth - Account Number NAMA001/83 (Call Deposit):	2 331 907	9 591 707
Nedbank Limited - Account Number 03/7662031934 (Call Deposit):	648 963	-
ABSA Bank Limited - Account Number 90 6918 2890 (Call Deposit):	-	648 963
Nedbank Limited - Account Number 03/7662031969 (Call Deposit):	37 846	-
ABSA Bank Limited - Account Number 20 6629 1015 (Call Deposit):	-	35 779
Nedbank Limited - Account Number 03/7662031896 (Leave Reserve):	903 280	-
ABSA Bank Limited - Account Number 90 7473 1242 (Leave Reserve):	-	998 896
Nedbank Limited - Account Number 03/7662031799 (Finance Management Grant):	1 297	-
ABSA Bank Limited - Account Number 91 1091 2063 (Finance Management Grant):	-	1 240
Nuweveld Co-op (Members Interest Fund):	1 804	1 804
ABSA Bank Limited - Account Number 22 1815 8326 (Contingency Fund):	-	1 179
Nedbank Limited - Account Number 03/7662031845 (Municipal System Improvement Grant):	1 359	-
ABSA Bank Limited - Account Number 91 0726 5605 (Municipal System Improvement Grant):	-	17 102
Nedbank Limited - Account Number 03/7662031888 (Swartzkop Sportgrounds):	16 565	-
ABSA Bank Limited - Account Number 91 9251 2118 (Swartzkop Sportgrounds):	-	16 565
ABSA Bank Limited - Account Number 91 9251 2477 (Spoegrivier Sportgrounds):	-	5 290
Nedbank Limited - Account Number 03/7662031780 (EPWP):	288 571	-
ABSA Bank Limited - Account Number 91 4340 6867 (EPWP):	-	23 167
Nedbank Limited - Account Number 03/7662031829 (IDP):	2 001	-
ABSA Bank Limited - Account Number 91 0726 7005 (IDP):	-	370 741
Nedbank Limited - Account Number 03/7662031810 (Border Fencing):	54 239	-
ABSA Bank Limited - Account Number 91 0726 7306 (Border Fencing):	-	54 239
Nedbank Limited - Account Number 03/7662031950 (Depositor Plus):	109 479	-
ABSA Bank Limited - Account Number 92 9745 9861 (Depositor Plus):	-	103 130
ABSA Bank Limited - Account Number 91 0726 7770 (Sakrivier Bridge):	-	8 187
Investec Bank Limited - Account Number 1100 519041 620 (Call Deposit):	-	343 796
Nedbank Limited - Account Number 03/7662031926 (RRAMS):	1 345 870	-
ABSA Bank Limited - Account Number 93 1153 2731 (RRAMS):	-	127 175
Nedbank Limited - Account Number 03/7662031802 (Fire Equipment Grant):	47 189	-
ABSA Bank Limited - Account Number 91 8438 7915 (Fire Equipment Grant):	-	152 081
Nedbank Limited - Account Number 03/7662031977 (PIMMS):	2 255	-
ABSA Bank Limited - Account Number 91 0809 6924 (PIMMS):	-	2 255
Nedbank Limited - Account Number 03/7662031772 (Electronic Filing System):	4 798	-
ABSA Bank Limited - Account Number 91 1931 2230 (Electronic Filing System):	-	4 798
Nedbank Limited - Account Number 03/7662031853 (Training Fund SETA):	3 842	-
ABSA Bank Limited - Account Number 91 2120 8647 (Training Fund SETA):	-	3 842
Nedbank Limited - Account Number 03/7662031918 (Work for Water):	24 357	-
ABSA Bank Limited - Account Number 91 2356 3504 (Work for Water):	-	430 425
Nedbank Limited - Account Number 03/7662031764 (Dept. Agriculture, Forestry and Fisheries):	3 220	-
ABSA Bank Limited - Account Number 92 7425 5686 (Dept. Agriculture, Forestry and Fisheries):	-	3 220
Nedbank Limited - Account Number 03/7662031756 (Civil Defence Grant):	472 144	-
ABSA Bank Limited - Account Number 92 7425 5709 (Civil Defence Grant):	-	427 097
Nedbank Limited - Account Number 03/7662031942 (Khotso Pula Nala):	891 779	-
ABSA Bank Limited - Account Number 92 7425 5074 (Khotso Pula Nala):	-	1 905 361
Sub-total for Call Investment Deposits	7 209 414	15 290 290
 Total Call Investment Deposits are as follows:		
Cash book balance at beginning of year	15 290 290	26 520 352
Cash book balance at end of year	7 209 414	15 290 290
Bank statement balance at beginning of year	9 951 964	26 520 352
Bank statement balance at end of year	7 239 393	9 951 964

Namatkwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>Details of Call Investment Deposits are as follows:</i>			
<i>Nedbank Limited - Account Number 03/7662031837 (Capital Replacement Reserve):</i>			
Cash book balance at beginning of year		16 651	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		16 740	-
Bank statement balance at end of year		-	-
<i>ABSA Bank Limited - Account Number 2218151720 (Capital Replacement Reserve):</i>			
Cash book balance at beginning of year		12 252	462 749
Cash book balance at end of year		-	12 252
Bank statement balance at beginning of year		12 252	462 749
Bank statement balance at end of year		-	12 252
<i>Nedbank Private Wealth - Account Number NAMAK001/83 (Call Deposit):</i>			
Cash book balance at beginning of year		9 591 707	19 616 440
Cash book balance at end of year		2 331 907	9 591 707
Bank statement balance at beginning of year		9 591 707	19 616 440
Bank statement balance at end of year		2 331 907	9 591 707
<i>Nedbank Limited - Account Number 03/7662031934 (Call Deposit):</i>			
Cash book balance at beginning of year		648 963	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		650 935	-
Bank statement balance at end of year		-	-
<i>ABSA Bank Limited - Account Number 90 6918 2890 (Call Deposit):</i>			
Cash book balance at beginning of year		648 963	648 963
Cash book balance at end of year		-	648 963
Bank statement balance at beginning of year		648 963	648 963
Bank statement balance at end of year		-	648 963
<i>Nedbank Limited - Account Number 03/7662031969 (Call Deposit):</i>			
Cash book balance at beginning of year		37 846	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		37 846	-
Bank statement balance at end of year		-	-
<i>ABSA Bank Limited - Account Number 20 6629 1015 (Call Deposit):</i>			
Cash book balance at beginning of year		35 779	33 864
Cash book balance at end of year		-	35 779
Bank statement balance at beginning of year		35 779	33 864
Bank statement balance at end of year		-	35 779



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>Nedbank Limited - Account Number 03/7662031896 (Leave Reserve):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		903 280	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		907 638	-
<i>ABSA Bank Limited - Account Number 90 7473 1242 (Leave Reserve):</i>			
Cash book balance at beginning of year		998 896	799 146
Cash book balance at end of year		-	998 896
Bank statement balance at beginning of year		998 896	799 146
Bank statement balance at end of year		-	998 896
<i>Nedbank Limited - Account Number 03/7662031799 (Finance Management Grant):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		1 297	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		1 599	-
<i>ABSA Bank Limited - Account Number 91 1091 2063 (Finance Management Grant):</i>			
Cash book balance at beginning of year		1 240	4 718
Cash book balance at end of year		-	1 240
Bank statement balance at beginning of year		1 240	4 718
Bank statement balance at end of year		-	1 240
<i>Nuweveld Co-op (Members Interest Fund):</i>			
Cash book balance at beginning of year		1 804	1 804
Cash book balance at end of year		1 804	1 804
Bank statement balance at beginning of year		1 804	1 804
Bank statement balance at end of year		1 804	1 804
<i>ABSA Bank Limited - Account Number 22 1815 8326 (Contingency Fund):</i>			
Cash book balance at beginning of year		1 179	75 679
Cash book balance at end of year		-	1 179
Bank statement balance at beginning of year		1 179	75 679
Bank statement balance at end of year		-	1 179
<i>Nedbank Limited - Account Number 03/7662031845 (Municipal System Improvement Grant):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		1 359	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		1 441	-

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>ABSA Bank Limited - Account Number 91 0726 5605 (Municipal System Improvement Grant):</i>			
Cash book balance at beginning of year		17 102	318 144
Cash book balance at end of year		-	17 102
Bank statement balance at beginning of year		17 102	318 144
Bank statement balance at end of year		-	17 102
<i>Nedbank Limited - Account Number 03/7662031888 (Swartzkop Sportgrounds):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		16 565	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		16 645	-
<i>ABSA Bank Limited - Account Number 91 9251 2118 (Swartzkop Sportgrounds):</i>			
Cash book balance at beginning of year		16 565	207 475
Cash book balance at end of year		-	16 565
Bank statement balance at beginning of year		16 565	207 475
Bank statement balance at end of year		-	16 565
<i>ABSA Bank Limited - Account Number 91 9251 2477 (Spoegrivier Sportgrounds):</i>			
Cash book balance at beginning of year		5 290	5 290
Cash book balance at end of year		-	5 290
Bank statement balance at beginning of year		5 290	5 290
Bank statement balance at end of year		-	5 290
<i>Nedbank Limited - Account Number 03/7662031780 (EPWP):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		288 571	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		292 116	-
<i>ABSA Bank Limited - Account Number 91 4340 6867 (EPWP):</i>			
Cash book balance at beginning of year		23 167	2 001
Cash book balance at end of year		-	23 167
Bank statement balance at beginning of year		23 167	2 001
Bank statement balance at end of year		-	23 167
<i>Nedbank Limited - Account Number 03/7662031829 (IDP):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		2 001	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		2 023	-



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>Nedbank Limited - Account Number 03/7662031829 (IDP):</i>			
Cash book balance at beginning of year		370 741	398 885
Cash book balance at end of year		-	370 741
Bank statement balance at beginning of year		370 741	398 885
Bank statement balance at end of year		-	370 741
<i>Nedbank Limited - Account Number 03/7662031926 (RRAMS):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		1 345 870	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		1 353 579	-
<i>ABSA Bank Limited - Account Number 93 1153 2731 (RRAMS):</i>			
Cash book balance at beginning of year		127 175	-
Cash book balance at end of year		-	127 175
Bank statement balance at beginning of year		127 175	-
Bank statement balance at end of year		-	127 175
<i>Nedbank Limited - Account Number 03/7662031810 (Border Fencing):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		54 239	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		54 501	-
<i>ABSA Bank Limited - Account Number 91 0726 7306 (Border Fencing):</i>			
Cash book balance at beginning of year		54 239	54 239
Cash book balance at end of year		-	54 239
Bank statement balance at beginning of year		54 239	54 239
Bank statement balance at end of year		-	54 239
<i>Nedbank Limited - Account Number 03/7662031950 (Depositor Plus):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		109 479	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		109 479	-
<i>Nedbank Limited - Account Number 03/7662031950 (Depositor Plus):</i>			
Cash book balance at beginning of year		103 130	97 104
Cash book balance at end of year		-	103 130
Bank statement balance at beginning of year		103 130	97 104
Bank statement balance at end of year		-	103 130

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>ABSA Bank Limited - Account Number 91 0726 7770 (Sakrivier Bridge):</i>			
Cash book balance at beginning of year		8 187	8 187
Cash book balance at end of year		-	8 187
Bank statement balance at beginning of year		8 187	8 187
Bank statement balance at end of year		-	8 187
<i>Investec Bank Limited - Account Number 1100 519041 620 (Call Deposit):</i>			
Cash book balance at beginning of year		343 796	209 502
Cash book balance at end of year		-	343 796
Bank statement balance at beginning of year		343 796	209 502
Bank statement balance at end of year		-	343 796
<i>Nedbank Limited - Account Number 03/7662031802 (Fire Equipment Grant):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		47 189	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		47 416	-
<i>ABSA Bank Limited - Account Number 91 8438 7915 (Fire Equipment Grant):</i>			
Cash book balance at beginning of year		152 081	125 806
Cash book balance at end of year		-	152 081
Bank statement balance at beginning of year		152 081	125 806
Bank statement balance at end of year		-	152 081
<i>Nedbank Limited - Account Number 03/7662031977 (PIMMS):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		2 255	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		2 266	-
<i>ABSA Bank Limited - Account Number 91 0809 6924 (PIMMS):</i>			
Cash book balance at beginning of year		2 255	2 255
Cash book balance at end of year		-	2 255
Bank statement balance at beginning of year		2 255	2 255
Bank statement balance at end of year		-	2 255
<i>Nedbank Limited - Account Number 03/7662031772 (Electronic Filing System):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		4 798	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		4 821	-



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>ABSA Bank Limited - Account Number 91 1931 2230 (Electronic Filing System):</i>			
Cash book balance at beginning of year		4 798	15 227
Cash book balance at end of year		-	4 798
Bank statement balance at beginning of year		4 798	15 227
Bank statement balance at end of year		-	4 798
<i>Nedbank Limited - Account Number 03/7662031853 (Training Fund SETA):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		3 842	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		3 860	-
<i>ABSA Bank Limited - Account Number 91 2120 8647 (Training Fund SETA):</i>			
Cash book balance at beginning of year		3 842	3 842
Cash book balance at end of year		-	3 842
Bank statement balance at beginning of year		3 842	3 842
Bank statement balance at end of year		-	3 842
<i>Nedbank Limited - Account Number 03/7662031918 (Work for Water):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		24 357	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		24 357	-
<i>ABSA Bank Limited - Account Number 91 2356 3504 (Work for Water):</i>			
Cash book balance at beginning of year		430 425	291 450
Cash book balance at end of year		-	430 425
Bank statement balance at beginning of year		430 425	291 450
Bank statement balance at end of year		-	430 425
<i>Nedbank Limited - Account Number 03/7662031764 (Dept. Agriculture, Forestry and Fisheries):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		3 220	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		3 236	-
<i>ABSA Bank Limited - Account Number 92 7425 5686 (Dept. Agriculture, Forestry and Fisheries):</i>			
Cash book balance at beginning of year		3 220	3 220
Cash book balance at end of year		-	3 220
Bank statement balance at beginning of year		3 220	3 220
Bank statement balance at end of year		-	3 220

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>Nedbank Limited - Account Number 03/7662031756 (Civil Defence Grant):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		472 144	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		475 612	-
<i>ABSA Bank Limited - Account Number 92 7425 5709 (Civil Defence Grant):</i>			
Cash book balance at beginning of year		427 097	249 403
Cash book balance at end of year		-	427 097
Bank statement balance at beginning of year		427 097	249 403
Bank statement balance at end of year		-	427 097
<i>Nedbank Limited - Account Number 03/7662031942 (Khotso Pula Nala):</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		891 779	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		899 571	-
<i>Nedbank Limited - Account Number 03/7662031942 (Khotso Pula Nala):</i>			
Cash book balance at beginning of year		1 905 361	111 951
Cash book balance at end of year		-	1 905 361
Bank statement balance at beginning of year		1 905 361	111 951
Bank statement balance at end of year		-	1 905 361
Cash on hand		33	500
Total cash and cash equivalents		8 228 114	18 976 151
<b>3 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
Department of Roads and Public Works		4 241 178	4 569 481
Sundry Debtor - Department Agriculture, Forestry and Fisheries		19 226 349	9 636 655
Sundry Debtor - Department of Environmental affairs - Work for Water		1 531 153	-
Other Receivables		1 806 318	879 732
Correction of error	Note 28.2	-	8 857 123
		26 804 998	23 942 991
<u>Less: Provision for bad debts</u>		(24 306 608)	(5 170 658)
Total Receivables from non-exchange transactions		2 498 389	18 772 333
The fair value of other receivables approximate their carrying value.			
<u>Reconciliation of Provision for Bad Debts</u>			
Balance at beginning of year		5 170 658	4 988 129
Contribution to provision		19 226 349	156 721
Correction of error	Note 28.2	-	25 808
Reversal of contribution		(90 398)	-
		24 306 608	5 170 658
The total amount of this provision consists of:			
Taxes		-	-
Sundry Debtor - Department Agriculture, Forestry and Fisheries		19 226 349	-
Department of Roads and Public Works		4 241 178	4 569 481
Other receivables		839 081	601 178
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions		24 306 608	5 170 658



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<u>Ageing of amounts past due but not impaired:</u>			
1 month past due		(9 631)	1 986
2+ months past due		994 207	9 896 750
		<u>984 576</u>	<u>9 898 736</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

INVESTMENTS

Financial Instruments

Unlisted Stock: Nuweveld Co-op held for trading

1 146	1 146
<u>1 146</u>	<u>1 146</u>

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Namatkwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

5 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2017	Cost					Accumulated Depreciation					Carrying Value R			
	Opening Balance R	Additions R	Disposals R	Transfers	Change in Accounting Policy/ Correction of Error R	Closing Balance R	Opening Balance R	Change in Accounting Policy/ Correction of Error R	Depreciation R	Disposals R		Transfers	Impairment loss/Reversal of Impairment loss R	Closing Balance R
Land	2 086 548	-	-	-	-	2 086 548	-	-	-	-	-	-	-	2 086 548
Land	2 086 548	-	-	-	-	2 086 548	-	-	-	-	-	-	-	2 086 548
Buildings	7 931 830	-	-	(135 000)	-	7 796 830	(6 435 707)	-	(187 956)	-	110 700	(571)	(6 513 534)	1 283 066
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	4 839	-	-	-	-	4 839	(3 920)	-	(184)	-	-	-	(4 104)	735
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paving	1 325 230	-	-	-	-	1 325 230	(330 375)	-	(135 510)	-	-	-	(465 886)	859 344
Security Measures	845 564	21 435	(89 356)	-	-	777 643	(379 779)	-	(132 510)	88 994	-	-	(423 295)	364 348
	2 175 633	21 435	(89 356)	-	-	2 107 712	(714 074)	-	(268 204)	88 994	-	-	(593 284)	1 214 428
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	159 133	-	-	-	-	159 133	(130 489)	-	(3 183)	-	-	-	(133 672)	26 461
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	159 133	-	-	-	-	159 133	(130 489)	-	(3 183)	-	-	-	(133 672)	25 461
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12 352 944	21 435	(89 356)	(135 000)	-	12 150 023	(7 280 270)	-	(459 342)	88 994	110 700	(571)	(7 540 490)	4 609 533
Total carried forward														



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Change in Accounting Policy/Correction of Error	Closing Balance	Opening Balance	Change in Accounting Policy/Correction of Error	
	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	12 352 044	21 435	(89 356)	(135 000)	-	12 450 023	(7 260 270)	-	4 609 533
Other Assets									
Office Equipment	3 538 845	38 810	(168 287)	-	-	3 410 158	(2 870 980)	-	477 131
Furniture & Fittings	1 882 837	43 305	(29 954)	-	-	1 996 039	(1 392 555)	-	394 436
Signs and Containers	22 682	-	(585)	-	-	22 077	(18 980)	-	3 289
Plant and Equipment	975 804	137 413	(43 515)	-	-	1 069 504	(502 840)	-	503 370
Motor vehicles	3 248 804	1 529	-	-	-	3 250 333	(2 369 037)	-	547 005
Fire Equipment	1 785 524	40 263	(5 653)	-	-	1 821 135	(767 570)	-	720 896
Refuse tankers	-	-	-	-	-	-	-	-	-
Security Measures	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-
Other Assets	-	(0)	(0)	-	-	-	-	-	-
<b>Finance Lease Assets</b>									
Office Equipment	11 454 925	262 922	(248 031)	-	-	11 469 816	(7 910 962)	-	2 646 137
Other Assets	545 222	-	(9 297)	-	-	535 925	(235 713)	-	183 112
<b>Total</b>	24 353 092	284 355	(346 884)	(135 000)	-	24 165 764	(15 427 845)	-	7 438 782

Namatkwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

30 JUNE 2016		Cost					Accumulated Depreciation					Carrying Value	
Opening Balance	Additions	Disposals	Transfers	Change in Accounting Policy/Correction of Error	Closing Balance	Opening Balance	Change in Accounting Policy/Correction of Error	Depreciation	Disposals	Transfers	Impairment loss/Reversal of impairment loss	Closing Balance	R
R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	2 086 548	-	-	-	2 086 548	-	-	-	-	-	-	-	2 086 548
Land	2 086 548	-	-	-	2 086 548	-	-	-	-	-	-	-	2 086 548
Buildings	7 821 630	-	110 000	-	7 931 630	(6 157 051)	-	(190 656)	-	(88 000)	-	(6 435 707)	1 495 923
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	4 839	-	-	-	4 839	(2 952)	-	(986)	-	-	-	(3 920)	919
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	1 325 230	-	-	-	1 325 230	(194 865)	-	(135 510)	-	-	-	(330 375)	994 854
Paving	845 564	-	-	-	845 564	(247 205)	-	(132 574)	-	-	-	(379 779)	465 765
Security Measures	2 175 633	-	-	-	2 175 633	(445 023)	-	(269 051)	-	-	-	(714 074)	1 461 559
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	159 133	-	-	-	159 133	(127 306)	-	(3 183)	-	-	-	(130 439)	28 644
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	159 133	-	-	-	159 133	(127 306)	-	(3 183)	-	-	-	(130 498)	28 644
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	12 242 944	-	110 000	-	12 352 944	(6 729 379)	-	(462 850)	-	(88 000)	-	(7 280 270)	5 072 674



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Cost			Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Change in Accounting Policy/ Correction of Error	Depreciation	Disposals	Transfers	
	R	R	R	R	R	R	R	R	R
Total brought forward	12 242 944	-	-	110 000	-	(462 890)	-	(68 000)	5 072 874
Other Assets									
Office Equipment	3 478 853	59 792	-	-	-	(245 266)	-	30 666	668 265
Furniture & Fixings	1 772 468	110 228	-	-	-	(162 362)	-	5 308	500 132
Bins and Containers	22 662	-	-	-	-	(1 073)	-	33	4 282
Plant and Equipment	652 779	122 825	-	-	-	(81 502)	-	14 172	472 764
Motor Vehicles	3 990 663	-	(141 848)	-	-	(359 859)	96 931	18 835	879 766
Fire Equipment	1 786 524	-	-	-	-	(344 822)	-	(69 633)	1 018 654
Refuse tankers	-	-	-	-	-	-	-	-	-
Security Measures	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Finance Lease Assets	11 303 530	292 845	(141 848)	-	-	(1 184 743)	96 931	0	3 544 063
Office Equipment	524 527	20 895	-	-	-	(124 448)	-	-	308 509
Other Assets	524 527	20 895	-	-	-	(124 448)	-	-	308 509
Total	24 071 400	313 541	(141 848)	110 000	-	(1 772 081)	96 931	(38 000)	8 925 247

5.3 Assets pledged as security

Leased Property, Plant and Equipment of R 183 112 is secured for leases as set out in Note 12.

5.4 Expenditure incurred to repair and maintain Property, Plant and Equipment

Employee related costs  
Other materials  
Contracted Services  
Other Expenditure  
Total Repairs and Maintenance

2017
R
228 312
393 970
<u>620 283</u>

5.5 The effect of the Change in Accounting estimates due to the review of useful lives are as follows:

Increase / (Decrease) in depreciation of assets for the year

2017	2018	2019
R	R	R
(22 869)	129 547	93 490

5.6 The municipality has no Property, Plant and Equipment which is in the process of being constructed or developed.

5.7 The municipality has no Property, Plant and Equipment that is taking a significantly longer period of time to completed than expected.

5.8 The municipality has no Property, Plant and Equipment where construction or development has been halted.

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note

6 INTANGIBLE ASSETS

6.1 Reconciliation of carrying value

as at 1 July 2016  
Cost  
Accumulated amortisation and impairment losses

Acquisitions  
Amortisation

Carrying value of disposals  
Cost  
Accumulated amortisation

as at 30 June 2017  
Cost  
Accumulated amortisation and impairment losses

Intangible Assets R	Total R
748 600	748 600
3 113 692	3 113 692
(2 365 092)	(2 365 092)
-	-
(282 551)	(232 551)
-	-
-	-
516 048	516 048
3 113 692	3 113 692
(2 597 643)	(2 597 643)

6.1 Reconciliation of carrying value

as at 1 July 2015  
Cost  
Accumulated amortisation and impairment losses

Acquisitions  
Amortisation

Carrying value of disposals  
Cost  
Accumulated amortisation

as at 30 June 2016  
Cost  
Accumulated amortisation and impairment losses

Intangible Assets R	Total R
1 037 408	1 037 408
3 113 692	3 113 692
(2 076 284)	(2 076 284)
-	-
(288 808)	(288 808)
-	-
-	-
748 600	748 600
3 113 692	3 113 692
(2 365 092)	(2 365 092)

- 6.2 No intangible asset were asessed having an indefinite useful life.
- 6.3 There are no internally generated intangible assets at reporting date.
- 6.4 There are no intangible assets whose title is restricted.
- 6.5 There are no intangible assets pledged as security for liabilities.
- 6.6 There are no contractual commitments for the acquisition of intangible assets.
- 6.7 The municipality has no intangible assets which are in the process of being constructed or developed.
- 6.8 The municipality has no intangible assets that are taking a significantly longer period of time to completed than expected.
- 6.9 The municipality has no intangible assets where construction or development has been halted.



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note

7. INVESTMENT PROPERTY CARRIED AT COST

7.1 : Reconciliation of carrying value

	Investment property R	Other R	Total R
as at 1 July 2016			
Cost	98 043	-	98 043
Accumulated depreciation and impairment losses	544 678 (446 635)	-	544 678 (446 635)
Acquisitions			
Depreciation	(13 594)	-	(13 594)
Transfers from / (to) Property, Plant and Equipment			
Cost	24 300	-	24 300
Accumulated depreciation	135 000 (110 700)	-	135 000 (110 700)
Impairment loss/Reversal of impairment loss			
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2017			
Cost	108 750	-	108 750
Accumulated depreciation and impairment losses	679 678 (570 928)	-	679 678 (570 928)

7.1 Reconciliation of carrying value

	Investment property R	Other R	Total R
as at 1 July 2015			
Cost	130 937	-	130 937
Accumulated depreciation and impairment losses	654 678 (523 741)	-	654 678 (523 741)
Acquisitions			
Depreciation	(10 894)	-	(10 894)
Transfers from / (to) Property, Plant and Equipment			
Cost	(22 000)	-	22 000
Accumulated depreciation	110 000 (88 000)	-	110 000 (88 000)
Impairment loss/Reversal of impairment loss			
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2016			
Cost	98 043	-	98 043
Accumulated depreciation and impairment losses	544 678 (446 635)	-	544 678 (446 635)

7.2 Revenue from Investment Property

Revenue derived from the rental of Investment Property

2017 R	2016 R
453 214	376 899

7.3 Operating Expenditure incurred on properties:

	Repairs and Maintenance	Other Operating Expenditure
Revenue Generating		
Improved Property	26 025	-
Unimproved Property	26 025	-
Non-revenue Generating		
Improved Property	-	-
Unimproved Property	-	-
Total Operating Expenditure	26 025	-

7.4 There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

7.5 There are no contractual obligation to purchase, construct or develop Investment property or for repairs, maintenance or enhancements.

7.6 The municipality has no Investment Property which is in the process of being constructed or developed.

7.7 The municipality has no Investment Property that is taking a significantly longer period of time to completed than expected.

7.8 The municipality has no Investment Property where construction or development has been halted.

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<b>8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		408 330	101 993
Payments received in advance		8 446	9 491
Department of Environmental affairs – Work for Water		-	430 425
Department of Agriculture, Forestry and Fisheries		-	3 220
Other creditors		5 097 512	208 178
Correction of error		-	8 904 798
<b>Total creditors</b>	<b>Note 28.1</b>	<b>5 514 288</b>	<b>9 658 106</b>
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 fair value of trade and other payables approximates their carrying amounts. All payables are unsecured.			
<b>9 VAT RECEIVABLE</b>			
VAT receivable		111 474	376 732
Correction of Error	<b>Note 28.3</b>	-	(111 204)
<b>Total VAT Receivable</b>		<b>111 474</b>	<b>265 528</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
<b>10 CURRENT EMPLOYEE BENEFITS</b>			
Staff Bonuses		695 332	682 793
Current Portion of Post Retirement Benefits (see note 13)		1 469 616	1 441 740
Staff Leave		1 229 186	1 082 899
Current portion of Long-Service provision (see note 13)		119 476	238 096
<b>Total Provisions</b>		<b>3 513 610</b>	<b>3 445 529</b>
The movement in current provisions are reconciled as follows: -			
as at 1 July 2016			
Contributions to provision		682 793	1 082 899
Expenditure incurred		1 246 996	331 102
as at 30 June 2017		(1 234 458)	(184 815)
		<b>695 332</b>	<b>1 229 186</b>
as at 1 July 2016			
Contributions to provision		654 325	1 091 059
Expenditure incurred		1 292 845	84 002
as at 30 June 2016		(1 264 376)	(92 162)
		<b>682 793</b>	<b>1 082 899</b>
<b>10.1 Staff Bonuses</b>			
Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.			
<b>10.2 Staff Leave</b>			
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.			



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
11	UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
11.1	Unspent Conditional Grants from other spheres of Government		
	National Government Grants	1 350 780	147 772
	Provincial Government Grants	1 846 723	3 401 595
	Other Sources	20 407	25 696
	<b>Total Unspent Conditional Grants and Receipts</b>	<b>3 217 910</b>	<b>3 575 063</b>
	Non-current unspent conditional grants and receipts		
	Current portion of unspent conditional grants and receipts	3 217 910	3 575 063

See Note 17 and appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

12 FINANCE LEASE LIABILITY

2017

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	167 076	(28 891)	138 186
Within two to five years	96 544	(5 322)	91 222
	<u>263 620</u>	<u>(34 213)</u>	<u>229 408</u>
Less: Amount due for settlement within 12 months (current portion)			(138 186)
			<u>91 222</u>

2016

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	180 814	(53 620)	127 194
Within two to five years	263 620	(34 213)	229 408
	<u>444 434</u>	<u>(87 833)</u>	<u>356 602</u>
Less: Amount due for settlement within 12 months (current portion)			(127 194)
			<u>229 408</u>

The capitalised lease liability consist out of the following contracts:

Supplier	Effective Interest rate	Annual Escalation
Nashua - Copiers	17.02%	0%
Nashua - Copiers - 2014	14.47%	0%
Nashua - Copiers - 2015	15.31%	0%
MTN - Tablets - 2016	46.99%	0%
MTN - Tablets - 2016	34.61%	0%
Supplier	Lease Term	Maturity Date
Nashua - Copiers	4 Years	31/01/2019
MTN - Tablets	2 Years	31/08/2017
MTN - Tablets	2 Years	30/06/2017

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Finance Leases are secured by property, plant and equipment - Note 5

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
13 NON-CURRENT EMPLOYEE BENEFITS			
Provision for post retirement health care benefits		15 785 907	17 050 741
Provision for long-service awards		1 120 060	1 050 739
Total Non-Current Employee Benefits		<u>16 905 968</u>	<u>18 101 481</u>

The movement in the non-current employee benefits is reconciled as follows: -

Provision for Post Retirement Health Care Benefits	10 492 481	18 597 024
Balance at the beginning of year	1 905 939	1 899 998
Contributions to provision	(2 169 358)	(1 380 708)
Expenditure incurred	(973 539)	(623 833)
Actuarial (Gains) / Losses	(1 469 616)	(1 441 740)
Transfer to current provisions		
Balance at the end of year	<u>15 785 907</u>	<u>17 050 741</u>

Provision for long-service awards:	1 288 835	1 074 336
Balance at the beginning of year	230 228	212 591
Contributions to provision	(112 794)	(37 571)
Expenditure incurred	(166 733)	39 479
Actuarial (Gains) / Losses	(119 476)	(238 096)
Transfer to current provisions		
Balance at the end of year	<u>1 120 060</u>	<u>1 050 739</u>

13.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2017	2016
In-service (employee) members	62	66
In-service (employee) non-members	5	6
Continuation members (e.g. Retirees, widows, orphans)	37	39
Total Members	<u>104</u>	<u>111</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015	2014	2013
In-service (employee) members	71	76	66
In-service (employee) non-members	6	6	6
Continuation members (e.g. Retirees, widows, orphans)	40	42	45
Total Members	<u>117</u>	<u>124</u>	<u>117</u>

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

	2017 R	2016 R
In-service members	3 676 621	3 720 795
Continuation members	13 578 902	14 771 686
Total Liability	<u>17 255 523</u>	<u>18 492 481</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
Hosmed  
LA Health  
Key Health, and  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 291 158, whereas the Interest Cost for the next year is estimated to be R1 485 588.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	8.98	8.70
Health Care Cost Inflation Rate	7.28	7.87
Net Effective Discount Rate	1.59	0.76



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
iii) Normal retirement age			
The normal retirement age for employees of the municipality is 60 years.			
iv) Expected rate of salary increases			
2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent			
The three-year Salary and Wage Collective Agreement ends on 30 June 2018.			

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

	2017 R	2016 R
Present value of fund obligations		
Fair value of plan assets	17 255 523	18 492 481
	<u>17 255 523</u>	<u>18 492 481</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>17 255 523</u>	<u>18 492 481</u>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	18 492 481	18 597 024
Total expenses	(263 419)	519 290
Current service cost	359 153	393 303
Interest Cost	1 546 766	1 506 695
Benefits Paid	(2 169 358)	(1 380 708)
Actuarial (gains)/losses	(973 539)	(623 833)
Present value of fund obligation at the end of the year	<u>17 255 523</u>	<u>18 492 481</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2017

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	3.677	13.579	17.256

The effect of movements in the assumptions are as follows:

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Health care inflation	4.383	14.614	18.997
Health care inflation	3.115	12.655	15.770
Post-retirement mortality	3.801	14.216	18.017
Average retirement age	3.771	13.579	17.350
Continuation of membership at retirement	3.122	13.579	16.701

Assumption	Change	% change
Health care inflation	1%	10%
Health care inflation	-1%	-9%
Post-retirement mortality	-1 year	4%
Average retirement age	-1 year	1%
Continuation of membership at retirement	-10%	-3%

Sensitivity analysis on current service and interest cost for year ending 30 June 2018

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Health care inflation	357 500	1 641 700	1 999 200
Health care inflation	239 500	1 352 500	1 592 000
Post-retirement mortality	300 700	1 554 000	1 854 700
Average retirement age	288 100	1 494 000	1 782 100
Continuation of membership at retirement	248 900	1 435 800	1 684 700

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R Change	2016 R % change
Assumption			
Health care inflation		1%	13%
Health care inflation		-1%	-10%
Post-retirement mortality		-1 year	4%
Average retirement age		-1 year	0%
Continuation of membership at retirement		-10%	-5%

**13.2 Provision for Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 67 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R 126 488 whereas the Interest Cost for the next year is estimated to be R 99 276.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	8.41	8.44
General Salary Inflation (long-term)	6.23	7.10
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05	1.25
ii) Expected rate of salary increases		

2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent

The three-year Salary and Wage Collective Agreement ends on 30 June 2018.

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

Present value of fund obligations	1 239 536	1 288 835
Fair value of plan assets	1 239 536	1 288 835
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	1 239 536	1 288 835
Net liability/(asset)		

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 288 835	1 074 336
Total expenses	117 434	175 020
Current service cost	131 298	127 458
Interest Cost	98 930	85 133
Benefits Paid	(112 794)	(37 571)
Actuarial (gains)/losses	(166 733)	39 479
Present value of fund obligation at the end of the year	1 239 536	1 288 835

Sensitivity Analysis on the Accrued Liability on 30 June 2017

	Change	Liability (Rm)	% change
Assumption		1.240	
Central assumptions		1.316	6%
General salary inflation	1%	1.170	-6%
General salary inflation	-1%	1.102	-11%
Average retirement age	-2 yrs	1.308	6%
Average retirement age	2 yrs	1.527	23%
Withdrawal rates	-60%		

Sensitivity analysis on current service and interest cost for year ending 30 June 2018

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
General salary inflation	135 400	105 700	241 100
General salary inflation	118 400	93 500	211 900
Average retirement age	115 200	87 700	202 900
Average retirement age	133 700	105 000	238 700
Withdrawal rates	167 900	123 500	291 400



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Assumption	Note	2017 R Change	2016 R % change
General salary inflation		1%	7%
General salary inflation		-1%	-6%
Average retirement age		-2 years	-10%
Average retirement age		2 years	6%
Withdrawal rates		-50%	29%

13.3 Retirement funds

The Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 153,1% (30 June 2014 - 101,7%).

Contributions paid recognised in the Statement of Financial Performance

	65 321	94 776
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CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). 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 100,6% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance

	1 671 665	1 612 265
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

	2017 R	2016 R
Government Employees Pension Fund	87 521	81 510
SAMWU National Provident Fund	819 031	864 354
	<u>906 552</u>	<u>945 863</u>

14 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities		
Correction of Error		
Total rentals	670 915	710 956
	<u>-</u>	<u>(68 222)</u>
	<u>670 915</u>	<u>642 734</u>

Note 28.6

15 INTEREST EARNED - EXTERNAL INVESTMENTS

Financial assets		
Total interest	1 466 565	1 853 637
	<u>1 466 565</u>	<u>1 853 637</u>

16 INTEREST EARNED - OUTSTANDING RECEIVABLES

Receivables from Non-Exchange Transactions		
Total interest	72 008	63 074
	<u>72 008</u>	<u>63 074</u>

17 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional

Equitable share

	35 436 000	34 696 170
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Conditional

Grants and Donations

Total Government Grant and Subsidies

	7 616 631	12 573 588
	<u>43 052 631</u>	<u>47 269 757</u>

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note	2017 R	2016 R
Disclosed as follows:		
Government Grants and Subsidies - Operating	42 856 849	47 116 470
Government Grants and Subsidies - Capital	195 782	153 287
Total Government Grant and Subsidies	<u>43 052 631</u>	<u>47 269 757</u>

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

	2017 R	2016 R
Equitable share	5 988 000	4 011 000
Executive & Council	7 569 144	6 226 094
Budget & Treasury	26 628 420	33 043 732
Corporate Services	-	10 429
Planning & Development	21 033	1 054 473
Health	-	-
Community & Social Services	2 428 000	2 428 000
Housing	-	-
Public Safety	409 846	496 030
Sport & Recreation	-	-
Environmental Protection	-	-
Waste Management	-	-
Waste Water Management	8 187	-
Road Transport	-	-
Water	-	-
Electricity	-	-
Total Government Grants and Subsidies	<u>43 052 631</u>	<u>47 269 757</u>

17.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	5 988 000	4 011 000
Conditions met - operating	(5 988 000)	(4 011 000)
Conditions met - capital	-	-
Conditions still to be met - remain liabilities (see note 11)	<u>-</u>	<u>-</u>

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 108 of 1996) to the municipality by the National Treasury.

17.2 Local Government Financial Management Grant (FMG)

Balance unspent at beginning of year	1 240	4 718
Current year receipts	1 250 000	1 250 000
Conditions met - operating	(1 249 943)	(1 253 478)
Conditions met - capital	-	-
Conditions still to be met - remain liabilities (see note 11)	<u>1 297</u>	<u>1 240</u>

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).

17.3 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	17 102	303 284
Current year receipts	-	930 000
Repaid to National Revenue Fund	-	(303 284)
Conditions met - operating	(15 743)	(889 808)
Conditions met - capital	-	(23 090)
Conditions still to be met - remain liabilities (see note 11)	<u>1 359</u>	<u>17 102</u>

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<b>17.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year			
Current year receipts		0	5 546
Repaid to National Revenue Fund		-	-
Conditions met - operating		-	(5 546)
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>0</u>	<u>0</u>
<i>The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.</i>			
<b>17.5</b>	<b>RSC Levies Replacement Grant</b>		
Balance unspent at beginning of year			
Current year receipts		-	-
Repaid to National Revenue Fund		24 621 000	25 998 170
Conditions met - operating		-	308 830
Conditions met - capital		(24 621 000)	(26 307 000)
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>-</u>	<u>-</u>
<i>This is an unconditional grant established to make provision for income for the District Municipalities after the RSC levies were terminated.</i>			
<b>17.6</b>	<b>Councillors Remuneration Grant</b>		
Balance unspent at beginning of year			
Current year receipts		-	-
Conditions met - operating		2 399 000	2 259 000
Conditions met - capital		(2 399 000)	(2 259 000)
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>-</u>	<u>-</u>
<i>This is an unconditional grant to co-funding the councillors remuneration.</i>			
<b>17.7</b>	<b>Planning and Implementation Management System</b>		
Balance unspent at beginning of year			
Current year receipts		2 255	2 255
Conditions met - operating		-	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>2 255</u>	<u>2 255</u>
<i>This is a planning reserve and is utilised for planning purposes.</i>			
<b>17.8</b>	<b>Border Fencing</b>		
Balance unspent at beginning of year			
Current year receipts		54 239	54 239
Conditions met - operating		-	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>54 239</u>	<u>54 239</u>
<i>This grant was established to make provision for fencing next to public roads.</i>			
<b>17.9</b>	<b>Health Inspector Subsidy</b>		
Balance unspent at beginning of year			
Current year receipts		-	-
Conditions met - operating		2 428 000	2 428 000
Conditions met - capital		(2 428 000)	(2 428 000)
Conditions still to be met - remain liabilities (see note 11)		-	-
		<u>-</u>	<u>-</u>
<i>This unconditional grant is part of the equitable share and services to subsidise municipal health care.</i>			
<b>17.10</b>	<b>Civil Defence Subsidy</b>		
Balance unspent at beginning of year			
Current year receipts		427 097	249 403
Conditions met - operating		350 000	350 000
Conditions met - capital		(109 171)	(125 574)
Conditions still to be met - remain liabilities (see note 11)		(195 782)	(46 731)
		<u>472 144</u>	<u>427 097</u>
<i>This conditional grant is to establish a disaster management centre.</i>			

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<b>17.11 Expanded Public Works Program</b>			
Balance unspent at beginning of year		23 166	2 001
Current year receipts		1 000 000	1 000 000
Repaid to National Revenue Fund		(23 000)	-
Conditions met - operating		(929 865)	(978 835)
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>70 301</u>	<u>23 166</u>
<i>This grant service to establish work in local communities.</i>			
<b>17.12 Fire Equipment Grant</b>			
Balance unspent at beginning of year		152 081	125 806
Current year receipts		-	350 000
Conditions met - operating		(104 893)	(249 408)
Conditions met - capital		-	(74 317)
Conditions still to be met - remain liabilities (see note 11)		<u>47 188</u>	<u>152 081</u>
<i>This grant is to assist local municipalities to render a fire service.</i>			
<b>17.13 Integrated Development Planning</b>			
Balance unspent at beginning of year		370 741	398 885
Current year receipts		-	180 000
Conditions met - operating		(368 741)	(208 143)
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>2 001</u>	<u>370 741</u>
<i>This reserve assist the municipality to compile and maintain the Integrated Development Plan.</i>			
<b>17.14 Komaggas Road</b>			
Balance unspent at beginning of year		1	1
Current year receipts		-	-
Conditions met - operating		-	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>1</u>	<u>1</u>
<i>This grant was used to build the Komaggas road.</i>			
<b>17.15 SA Projects</b>			
Balance unspent at beginning of year		8	8
Current year receipts		-	-
Conditions met - operating		-	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>8</u>	<u>8</u>
<i>This grant is to create work programmes in local communities.</i>			
<b>17.16 Namaqua Sanitation Bucket System</b>			
Balance unspent at beginning of year		0	130 665
Current year receipts		-	-
Conditions met - operating		-	(130 665)
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>0</u>	<u>0</u>
<i>This grant is to address bucket system eradication in the District.</i>			
<b>17.17 NC Housing</b>			
Balance unspent at beginning of year		455 923	455 923
Current year receipts		-	-
Conditions met - operating		(151 651)	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>304 273</u>	<u>455 923</u>
<i>This grant is to establish a housing unit at the District level.</i>			
<b>17.18 Sakrivier Bridge</b>			
Balance unspent at beginning of year		8 187	8 187
Current year receipts		-	-
Conditions met - operating		(8 187)	-
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		<u>(0)</u>	<u>8 187</u>
<i>This grant was used to rebuild the sakriver bridge after flooding.</i>			



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note

	2017 R	2016 R
<b>17.19 <u>Khotso Pula Nala</u></b>		
Balance unspent at beginning of year		
Current year receipts	1 905 353	111 951
Conditions met - operating	-	2 000 000
Conditions met - capital	(1 013 582)	(206 599)
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>891 771</u>	<u>1 905 353</u>
<i>This grant originated from the Department Roads and Public Works and is used for projects determined by the Department.</i>		
<b>17.20 <u>Rural Roads Asset Management</u></b>		
Balance unspent at beginning of year		
Current year receipts	127 175	-
Conditions met - operating	3 925 000	2 376 000
Conditions met - capital	(2 706 305)	(2 248 825)
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>1 345 870</u>	<u>127 175</u>
<i>This grant was established to make provision for the establishment of a roads network.</i>		
<b>17.21 <u>Electronic Filing System</u></b>		
Balance unspent at beginning of year		
Current year receipts	4 798	15 227
Conditions met - operating	-	-
Conditions met - capital	-	(1 281)
Conditions still to be met - remain liabilities (see note 11)	-	(9 148)
	<u>4 798</u>	<u>4 798</u>
<i>The grant was used to implement an electronic filing system.</i>		
<b>17.22 <u>Spoeqrivier Sport Ground (Lotto)</u></b>		
Balance unspent at beginning of year		
Current year receipts	5 290	5 290
Conditions met - operating	-	-
Conditions met - capital	(5 290)	-
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>-</u>	<u>5 290</u>
<i>This grant was received to build a sports ground in Spoeqrivier.</i>		
<b>17.23 <u>Swartzkop Sport Ground (Lotto)</u></b>		
Balance unspent at beginning of year		
Current year receipts	16 565	207 475
Conditions met - operating	-	-
Conditions met - capital	-	(190 910)
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>16 565</u>	<u>16 565</u>
<i>This grant was received to build a sports ground in Swartzkop.</i>		
<b>17.24 <u>Training Reserve (SETA)</u></b>		
Balance unspent at beginning of year		
Current year receipts	3 842	3 842
Conditions met - operating	-	-
Conditions met - capital	-	-
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>3 842</u>	<u>3 842</u>
<i>This is the amount claimed back from SETA for training and is utilised for training.</i>		
<b>17.25 <u>Kamiesberg Special Fund</u></b>		
Balance unspent at beginning of year		
Current year receipts	0	2 297
Conditions met - operating	-	-
Conditions met - capital	-	(2 297)
Conditions still to be met - remain liabilities (see note 11)	-	-
	<u>0</u>	<u>0</u>
<i>This grant is used to purify the water in the local settlements.</i>		

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<b>17.26 Richtersveld Special Fund</b>			
Balance unspent at beginning of year		0	3 013
Current year receipts		-	-
Conditions met - operating		-	(3 013)
Conditions met - capital		-	-
Conditions still to be met - remain liabilities (see note 11)		0	0
<i>This grant is used to purify the water in the local settlements.</i>			
<b>17.27 Total Grants</b>			
Opening balance		3 575 063	2 090 015
Grants received		41 961 000	43 132 170
Repaid to National Revenue Fund		(23 000)	-
Conditions met - Operating		(42 099 371)	(41 493 835)
Conditions met - Capital		(195 782)	(153 287)
Conditions still to be met/(Grant expenditure to be recovered)		3 217 910	3 575 063
<u>Disclosed as follows:</u>			
Unspent Conditional Government Grants and Receipts		3 217 910	3 575 063
Total		3 217 910	3 575 063
<b>18 OTHER INCOME</b>			
Revenue from Exchange Transactions		235 512	-
Income from Agency Services		144 111	735 245
Sundries		7 023	8 800
Administration Fees		-	(21 038)
Correction of Error	Note 28.1	386 646	723 008
Revenue from Non-Exchange Transactions		1 140 272	623 833
Actuarial Gains		1 526 918	1 346 841
Total Other Income			
<b>19 EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages		17 813 322	18 595 396
Employee related costs - Contributions for UIF, pensions and medical aids		2 954 646	3 799 284
Travel, motor car, accommodation, subsistence and other allowances		2 259 362	2 512 002
Housing benefits and allowances		547 086	572 595
Overtime payments		265 309	314 204
Performance and other bonuses		1 246 896	1 292 845
Provision for leave		331 102	84 002
Contribution to provision - Long Service Awards - Note 13		131 298	127 458
Contribution to provision - Post Retirement Medical - Note 13		359 153	393 303
Correction of error	Note 28.4	-	(214)
Total Employee Related Costs		25 908 273	27 690 876
<u>Remuneration of the Municipal Manager - CJ Fortuin</u>			
Annual Remuneration		751 092	712 334
Performance- and other bonuses		37 908	36 102
Allowances		173 656	173 162
Contributions to UIF, Medical and Pension Funds		131 181	123 261
Total		1 093 838	1 044 859
<u>Remuneration of the Chief Finance Officer - R Datadin</u>			
Annual Remuneration		782 921	744 332
Performance- and other bonuses		37 908	36 102
Allowances		151 485	150 994
Contributions to UIF, Medical and Pension Funds		118 266	106 257
Total		1 090 580	1 037 686
<u>Remuneration of Director: Corporate and Municipal Health Services - G Cloete</u>			
Annual Remuneration		688 328	649 621
Performance- and other bonuses		37 908	36 102
Allowances		151 485	151 066
Contributions to UIF, Medical and Pension Funds		83 666	79 765
Total		961 387	916 554



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
<u>Remuneration of Director: Economic Development and Planning - J Loubser</u>			
Annual Remuneration			
Performance- and other bonuses		690 000	650 727
Long service award		57 500	54 000
Allowances		27 600	-
Contributions to UIF, Medical and Pension Funds		113 483	117 403
Total		172 437	164 371
		<u>1 061 020</u>	<u>986 500</u>
<u>Remuneration of Manager: Projects - I Smith</u>			
Annual Remuneration			
Performance- and other bonuses		459 216	433 224
Allowances		38 268	36 102
Contributions to UIF, Medical and Pension Funds		169 915	165 742
Total		107 644	100 857
		<u>775 043</u>	<u>735 926</u>
<u>Remuneration of Manager: Maintenance and Household Services - E Bezuidenhout</u>			
Annual Remuneration			
Performance- and other bonuses		493 068	454 236
Allowances		41 089	37 853
Contributions to UIF, Medical and Pension Funds		160 373	159 299
Total		105 191	96 806
		<u>799 721</u>	<u>748 194</u>
<u>Remuneration of Manager: Municipal Health Services - H Theron (Resigned)</u>			
Annual Remuneration			
Performance- and other bonuses		151 274	413 148
Leave payout		34 397	34 429
Allowances		46 153	-
Contributions to UIF, Medical and Pension Funds		56 853	167 329
Total		36 989	106 997
		<u>325 667</u>	<u>721 904</u>
<u>Remuneration of Head Accountant: Budget and Treasury - C Brown</u>			
Annual Remuneration			
Performance- and other bonuses		337 356	310 836
Allowances		28 113	25 903
Contributions to UIF, Medical and Pension Funds		122 005	121 184
Total		101 472	92 986
		<u>588 946</u>	<u>550 909</u>
20 REMUNERATION OF COUNCILLORS			
Executive Mayor			
Speaker		741 195	768 437
Councillors		533 670	414 311
Councillors' allowances		1 016 461	1 179 868
Correction of Error		537 692	507 132
Total Councillors' Remuneration	Note 28.2	-	(2 014)
		<u>2 829 018</u>	<u>2 867 734</u>
Remuneration paid to councillors were as follows:			
BG Vass - Mayor		782 022	809 095
M Groenewaldt - Councillor - Current Speaker		547 140	-
MS Cardinal - Councillor - Previous Speaker (Term ended)		48 646	419 773
SD Hoskin - Councillor (Term ended)		11 388	102 527
HJ Jack - Councillor		233 227	-
HC Steenkamp - Councillor (Term ended)		28 634	226 798
GY Pietersen - Councillor		97 455	102 527
CK Klaase - Councillor		233 938	-
EC Drage-Maritz - Councillor (Term ended)		28 634	248 272
AS Rooi - Councillor		86 067	-
JE Davids - Councillor		12 029	-
GJ Engelbrecht - Councillor (Term ended)		-	19 617
CR Warne - Councillor		262 572	248 272
G Gous - Councillor		12 029	-
J Swarts - Councillor (Term ended)		1 553	13 465
SC Nero - Councillor		12 029	-
P van Heerden - Councillor (Term ended)		11 334	120 497
KR Groenewald - Councillor (Term ended)		28 634	248 272
S van Wyk - Councillor (Term ended)		1 553	13 465
ZP De Jongh - Councillor		12 029	-
J van der Colff - Councillor (Term ended)		2 301	19 949
WJ Links - Councillor		87 620	13 465
AM Beukes - Councillor		233 938	-
SJ Engelbrecht - Councillor (Term ended)		28 634	248 272
CG Coetzee - Councillor		12 029	-
GJ Coetzee - Councillor		13 582	13 465
Total Councillors' Remuneration		<u>2 829 018</u>	<u>2 867 734</u>

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
In-kind Benefits			
The Executive Mayor, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.			
The Executive Mayor as well as the Speaker may utilise official Council transportation when engaged in official duties.			
21 DEPRECIATION AND AMORTISATION EXPENSE		1 719 204	1 772 081
Properly, plant and equipment		232 551	288 808
Intangible assets		13 594	10 894
Investment property carried at cost		1 965 349	2 071 782
Total Depreciation and Amortisation			
22 FINANCE COSTS		53 709	74 732
Borrowings		1 645 716	1 591 828
Non-current employee benefits		1 699 425	1 666 560
Total Finance Costs			
23 CONTRACTED SERVICES		2 388 106	7 470 695
Contractors		96 448	129 236
Consultants and Professional Services		128 645	153 885
Outsourced Services		2 611 198	7 753 816
24 GRANTS AND SUBSIDIES PAID		1 013 582	706 591
Grants paid to B - Municipalities		1 013 582	706 591
25 OPERATIONAL COSTS			
<i>Included in general expenses are the following:-</i>		234 185	199 431
Advertising		2 188 064	2 213 243
Audit fees		66 668	65 717
Bank charges		32 500	33 627
Conferences and delegations		91 485	100 239
Inventory consumed - Consumables		123 280	148 134
Entertainment		556 712	564 097
Fuel and oil		317 275	322 576
Insurance		213 415	231 721
Inventory consumed - Materials and Supplies		311 278	121 314
Legal expenses		12 234	11 895
Licence fees - vehicles		510 883	322 020
Licence fees - computers		542 135	532 090
Membership fees		-	544 499
Namakwa Festival		-	2 100
Postage		302 760	205 323
Printing and stationery		873 334	1 250 461
Project Development		5 518	5 669
Rental of office equipment		7 919	9 350
Rental of office buildings		244 312	259 727
Skills development levies		2 390 361	1 975 510
Rural Roads Asset Management		407 454	404 614
Telephone cost		286 617	172 682
Training		31 622	24 341
Transport claims		2 831 111	2 888 102
Travel and subsistence		10 447	1 842
Uniforms & overalls		469 079	582 724
Water, electricity and sanitation		1 667 026	2 839 816
Other operating expenses		-	30 469
Correction of Error		-	-
	Note 28.6	14 727 673	16 063 331



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
26			
GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment			
Total Gain / (Loss) on Sale of Assets		(16 248)	30 996
		(16 248)	30 996
27			
IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)			
Property, plant and equipment			
Total Impairment loss / (Reversal of Impairment Loss)		11 069	2 077
		11 069	2 077
28			
CORRECTION OF ERROR IN TERMS OF GRAP 3			
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:			
28.1			
TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Balance previously reported		-	753 304
Sundry Deposit recognised incorrectly as Income in 2015/16	Note 8 and Note 18	-	21 038
General Expenditure not recognised in 2015/16	Note 8 and Note 25	-	48 324
Other Creditors recognised incorrectly in 2015/16	Note 8	-	8 835 437
Restated Balance		-	9 668 103
Correction of sundry income and general expenditure incorrectly recognised in previous financial year			
28.2			
RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Balance previously reported		-	9 941 017
Department of Roads and Public Works Debtor recognised incorrectly in 2015/16	Note 3	-	19 673
Sundry Debtor not recorded in 2015/2016	Note 3 and Note 20	-	2 014
Correction of the provision of doubtful debts in 2015/2016	Note 3	-	(25 808)
Department Agriculture, Forestry and Fisheries recognised incorrectly in 2015/16	Note 3	-	8 835 437
Restated Balance		-	18 772 333
Correction of debtors and provision of doubtful debts not raised in previous financial year			
28.3			
TAXES			
Balance previously reported			376 732
Input taxes claimed incorrectly in 2015/2016	Note 9		(42 982)
Output Taxes not declared in 2015/16	Note 9		(68 222)
Restated Balance			265 528
Correction of taxes declared and claimed in previous financial years			
28.4			
CASH AND CASH EQUIVALENTS			
Balance previously reported			18 975 935
Receipt not recognised in 2015/2016	Note 2 and Note 19		214
Restated Balance			18 976 149
Correction of taxes declared and claimed in previous financial years			
28.5			
Accumulated Surplus / Deficit - 1 July 2015			
Pre-paid expenditure not recognised in 2014/15			43 776
General Expenditure recognised incorrectly in 2015/16			(84 940)
Total			(41 164)

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
28.6 Changes to Statement of Financial Performance			
	Balance previously reported	Adjustments	Restated Balance
Revenue			
Government grants and subsidies	47 269 757		47 269 757
Actuarial Gains	623 833		623 833
Rental of facilities and equipment	710 956	(68 222)	642 734
Interest earned - external investments	1 853 637		1 853 637
Interest earned - outstanding receivables	63 074		63 074
Other income	744 045	(21 038)	723 008
Total	51 265 303	(89 260)	51 176 043
Expenditure			
Employee related costs	(27 691 089)	214	(27 690 875)
Remuneration of councillors	(2 869 748)	2 014	(2 867 734)
Debt impairment	(379 224)	(25 808)	(405 032)
Actuarial losses	(39 479)		(39 479)
Depreciation and amortisation expense	(2 071 782)		(2 071 782)
Finance costs	(1 666 560)		(1 666 560)
Contracted services	(7 753 816)		(7 753 816)
Grants and subsidies paid	(706 591)		(706 591)
Operational Costs	(16 032 862)	(30 469)	(16 063 331)
Total	(59 211 151)	(54 050)	(59 265 201)
Gains and Losses			
Gain / (loss) on sale of assets	30 996		30 996
(Impairment loss) / Reversal of impairment loss	(2 077)		(2 077)
Total	28 919	-	28 919
Net Surplus/(Deficit) for the year	(7 916 930)	(143 309)	(8 060 239)
<i>The treatment of transactions with the Department Agriculture, Forestry and Fisheries has changed from the Municipality acting as an implementing agent to the Municipality acting as a service provider.</i>			
29 CASH GENERATED BY OPERATIONS		(23 128 748)	(8 060 239)
Surplus/(deficit) for the year			
Adjustment for:-		1 965 349	2 071 782
Depreciation and amortisation		16 248	(30 996)
(Gain) / loss on sale of assets		41 938 000	-
Government Grants and Subsidies received		(42 295 153)	43 451 560
Government Grants and Subsidies recognised as revenue		(55 241)	(41 966 512)
Contribution to provisions - Non-Current Provisions		(973 539)	432 753
Contribution to provisions - Actuarial (Gain) / Loss (Post Retirement Medical Benefit)		(166 733)	(623 833)
Contribution to provisions - Actuarial (Gain) / Loss (Long Service Award Benefit)		19 226 349	39 479
Contribution to provisions - Actuarial (Gain) / Loss (Long Service Award Benefit)		(90 398)	379 224
Debt Impairment		-	(222 503)
Bad Debts written-off		11 089	2 077
Impairment loss / (reversal of impairment loss)		(3 552 798)	(4 527 207)
Operating surplus before working capital changes:		(2 862 007)	(5 669 227)
(Increase)/decrease in Receivables		154 054	1 752 549
(Increase)/decrease in VAT receivable		(4 143 817)	(373 291)
Increase/(decrease) in Trade payables		68 081	281 867
Increase/(decrease) in Current Employee Benefits		(10 335 487)	(8 535 310)
Cash generated by/(utilised in) operations			
30 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash - Note 2		8 228 114	18 976 151
Net cash and cash equivalents (net of bank overdrafts)		8 228 114	18 976 151



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note

2017  
R

2016  
R

31 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 30

Less:

Unspent Committed Conditional Grants - Note 11

Net cash resources available for internal distribution

Allocated to:

Reserves

Resources available for working capital requirements

8 228 114

18 976 151

(3 217 910)

(3 575 063)

5 010 204

15 401 087

(10 628)

(13 431)

4 999 576

15 387 656

32 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 12)

Used to finance property, plant and equipment -- at cost

Sub-total

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

229 408

356 602

(229 408)

(356 602)

-

-

-

-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

33.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Written off by Council on 12 May 2016

Transfer to receivables for recovery

Unauthorised expenditure awaiting authorisation

28 754

(28 754)

-

-

Unauthorised expenditure current year - operating

Executive and council

Budget and Treasury Office

Corporate Services

Community and Social Services

Public Safety

Health

Planning and Development

Road Transport

2017  
Actual  
R

2017  
Final Budget  
R

2017  
Variance  
R

19 485 444

19 638 417

(152 973)

5 266 401

6 060 762

(794 361)

11 604 637

12 225 588

(620 951)

4 338 337

5 143 715

(805 379)

4 189 454

4 469 030

(279 576)

-

80 346

(80 346)

31 640 406

55 041 897

(23 401 491)

8 187

972 900

(964 713)

76 532 866

103 632 667

(27 099 791)

Unauthorised expenditure current year - operating

Executive and council

Budget and Treasury Office

Corporate Services

Community and Social Services

Public Safety

Health

Planning and Development

Road Transport

2017  
Unauthorised  
R

-

-

-

-

-

-

-

-

-

**Namakwa District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2017**

	Note	2017 R	2016 R
	2017 Actual R	Final Budget R	2017 Variance R
<u>Unauthorised expenditure current year - capital</u>			
Executive and council	-	1 200	(1 200)
Budget and Treasury Office	-	-	-
Corporate Services	83 806	85 000	(1 194)
Public Safety	195 782	675 000	(479 218)
Planning and Development	4 768	13 000	(8 232)
	<u>284 356</u>	<u>774 200</u>	<u>(489 844)</u>

			2017 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>			
Executive and council			-
Budget and Treasury Office			-
Corporate Services			-
Public Safety			-
Planning and Development			-

- 33.2 Fruitless and wasteful expenditure
- Reconciliation of fruitless and wasteful expenditure
- Opening balance -
- Fruitless and wasteful expenditure current year
- Condoned or written off by Council
- To be recovered – contingent asset
- Fruitless and wasteful expenditure awaiting condonement

-	-
-	-
-	-
-	-
-	-
-	-

- 33.3 Irregular expenditure
- Reconciliation of irregular expenditure
- Opening balance
- Irregular expenditure current year
- Written off by Council on 12 May 2016
- Transfer to receivables for recovery – not condoned
- Irregular expenditure awaiting condonement by Council
- Irregular expenditure awaiting condonement from National Treasury

129 919	320 325
-	129 919
-	(320 325)
-	-
<u>129 919</u>	<u>129 919</u>
-	-

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps		
<u>Procurement and Contract Management: R 2000 - R 10 000</u>			
Deviations from the Supply Chain regulations - 3 Quotations not obtained	None	31 919	31 919
<u>Procurement and Contract Management: R 30 000 - R 200 000</u>			
Deviations from the Supply Chain regulations - 3 Quotations not obtained	None	98 000	98 000
		<u>129 919</u>	<u>129 919</u>

*Recoverability / Condonement of irregular expenditure will be evaluated by Council in terms of section 32 of the MFMA. No steps have been taken at this stage to recover any monies.*

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

- 34.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	500 000	500 000
Council subscriptions	(500 000)	(500 000)
Amount paid - current	-	-
Balance unpaid (included in payables)	-	-

- 34.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	2 188 064	2 213 243
Current year audit fee	(2 188 064)	(2 213 243)
Amount paid - current year	-	-
Balance unpaid (included in payables)	-	-



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note

2017  
R

2016  
R

34.3 VAT - [MFMA 125 (1)(c)]

Opening balance  
Amounts received - current year  
Amounts claimed - current year (payable)  
Amount overpaid owed by South African Revenue Services

265 528	329 339
(1 502 329)	(1 174 111)
1 348 275	1 110 300
-	-
<u>111 474</u>	<u>265 528</u>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

34.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance  
Current year payroll deductions  
Amount paid - current year  
Amount paid - previous years  
Balance unpaid (included in payables)

-	-
4 842 098	5 071 303
(4 842 098)	(5 071 303)
-	-
<u>-</u>	<u>-</u>

34.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance  
Current year payroll deductions and Council Contributions  
Amount paid - current year  
Amount paid - previous years  
Balance unpaid (included in payables)

-	-
7 717 878	7 757 613
(7 717 878)	(7 757 613)
-	-
<u>-</u>	<u>-</u>

34.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

Type of Deviation

	Single Supplier	Impractical	Emergency
July	13 489	107 896	-
August	5 511	76 607	-
September	18 049	130 147	-
October	22 299	38 262	-
November	1 125	68 352	-
December	2 706	83 813	-
January	25 727	87 125	-
February	32 956	48 577	-
March	10 227	66 952	-
April	516	87 441	-
May	49 262	146 822	-
June	13 807	149 087	-
	<u>195 674</u>	<u>1 091 082</u>	<u>-</u>

35 CONTINGENT LIABILITY / ASSETS

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

36 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

37 RELATED PARTIES

Key Management and Councilors receive and pay for services on the same terms and conditions as other ratepayers.

37.1 Compensation of key management personnel

The compensation of key management personnel is set out in note 19 to the Annual Financial Statements.

37.2 Other related party transactions

The following purchases were made during the year where Councilors or staff have an interest:

Company name	Related Party	Service Capacity	Relationship
Afren Power Projects (Pty) Ltd	Accountant - C Jantjies	Supplier - Electrical	Wife

2017  
R

2016  
R

24 337

24 337

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
38	<b>EVENTS AFTER THE REPORTING DATE</b> The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017.		
39	<b>FINANCIAL RISK MANAGEMENT</b>  The activities of the municipality expose it to a variety of financial risks, including 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)	<b>Foreign Exchange Currency Risk</b>  The municipality does not engage in foreign currency transactions.		
(b)	<b>Price Risk</b>  The municipality is not exposed to price risk.		
(c)	<b>Interest Rate Risk</b>  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 follows:		
	1% (2016: 1%) Increase in interest rates	82 281	189 759
	1% (2016: 1%) Decrease in interest rates	(82 281)	(189 759)
(d)	<b>Credit Risk</b>  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 financial loss.  Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.  Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables 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 receivables is considered to be moderate due to the diversified nature of receivables 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 "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.  All rates are payable within 30 days from invoice date. Refer to note 3 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.		
	<u>Non-exchange Receivables</u>		
	Rates	2017 %	2017 R
	Other	0.00%	-
		100.00%	1 806 318
		100.00%	1 806 318
	<u>Non-exchange Receivables</u>		
	Rates	2016 %	2016 R
	Other	0.00%	-
		100.00%	879 732
		100.00%	879 732



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

Note	2017 R	2016 R
------	-----------	-----------

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 3 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

Non-exchange Receivables

	2017 %	2017 R
Rates	0.00%	-
Other	100.00%	24 306 608
	100.00%	24 306 608

Non-exchange Receivables

	2016 %	2016 R
Rates	0.00%	-
Other	100.00%	5 170 658
	100.00%	5 170 658

The provision for bad debts could be allocated between the different categories of receivables as follow:

	2017 %	2017 R
Government	96.55%	23 467 527
Industrial	3.45%	839 081
Residential	0.00%	-
	100.00%	24 306 608

Government  
Industrial  
Residential

	2016 %	2016 R
Government	88.37%	4 569 481
Industrial	11.63%	601 178
Residential	0.00%	-
	100.00%	5 170 658

Ageing of amounts past due but not impaired are as follows:

2017

	Non-Exchange Receivables
1 month past due	
2+ months past due	(9 631)
	994 207
	984 576

2016

	Non-Exchange Receivables
1 month past due	1 086
2+ months past due	9 896 750
	9 898 736

Bad debts written-off per receivable class:

Non-exchange Receivables

	2017 %	2017 R
Rates	0.00%	-
Other	0.00%	-
	0.00%	-

Non-exchange Receivables

	2016 %	2016 R
Rates	0.00%	222 503
Other	0.00%	-
	0.00%	222 503

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Financial assets exposed to credit risk at year end are as follows:

Investments  
Receivables from non-exchange transactions  
Cash and Cash Equivalents

Note	2017 R	2016 R
	1 146	1 146
	25 273 845	23 942 991
	8 220 114	18 976 151
	<u>33 593 104</u>	<u>42 920 287</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and 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.

2017

Long-term Liabilities  
Trade and Other Payables

Less than 1 year	Between 1 and 5 years
167 076	96 544
5 514 288	-
<u>5 681 364</u>	<u>96 544</u>

2016

Long-term Liabilities  
Trade and Other Payables

Less than 1 year	Between 1 and 5 years
180 814	263 620
9 658 106	-
<u>9 838 920</u>	<u>263 620</u>



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

40 FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

40.1 Financial Assets

Investments

Unlisted Investments

Receivables from Non-Exchange Transactions

Sundry Debtors

Cash and Cash Equivalents

Bank Balances

Call Deposits

Cash Floats and Advances

Total Financial Assets

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at cost:

Investments

Financial Instruments at amortised cost:

Receivables from Non-exchange Transactions

Cash and Cash Equivalents

Cash and Cash Equivalents

Cash and Cash Equivalents

Total Financial Assets

Note

2017  
R

2016  
R

Classification

Cost

1 146

1 146

Loans and Receivables

6 047 496

23 942 991

Loans and Receivables

1 018 667

3 685 360

Loans and Receivables

7 209 414

15 290 290

Loans and Receivables

33

500

14 276 756

42 920 287

Unlisted Investments

1 146

1 146

Sundry Debtors

6 047 496

23 942 991

Bank Balances

1 018 667

3 685 360

Call Deposits

7 209 414

15 290 290

Cash Floats and Advances

33

500

14 275 610

42 919 141

14 276 756

42 920 287

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
40.2 <u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities	Financial Instruments at amortised cost	91 222	229 408
Capitalised Lease Liability			
Trade and Other Payables	Financial Instruments at amortised cost	408 330	101 993
Trade Creditors	Financial Instruments at amortised cost	8 446	9 491
Payments received in advance	Financial Instruments at amortised cost	5 097 512	9 112 976
Other Creditors			
Current Portion of Long-term Liabilities	Financial Instruments at amortised cost	138 186	127 194
Capitalised Lease Liability		<u>5 743 696</u>	<u>9 581 061</u>
 SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:			
Long-term Liabilities	Capitalised Lease Liability	91 222	229 408
Trade and Other Payables	Trade Creditors	408 330	101 993
Trade and Other Payables	Payments received in advance	8 446	9 491
Trade and Other Payables	Other Creditors	5 097 512	9 112 976
Current Portion of long-term liabilities	Capitalised Lease Liability	138 186	127 194
		<u>5 743 696</u>	<u>9 581 061</u>



Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

	Note	2017 R	2016 R
41	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
42	<b>FINANCIAL SUSTAINABILITY</b>		
	Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.		
	The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:		
	<b>Financial Indicators</b>		
	The current ratio increased to 2.43:1 from 2.26:1 in the prior year.		
	The municipality have budgeted for a deficit of R 8 994 000 for the 2017/2018 financial year. The municipality is also budgeting for negative cash flows during 2018/2019 and 2019/2020 amounting to R 1 329 000 and R 2 522 000 respectively.		
	The fair value of Land and Buildings exceeds their carrying value amount with R 17 977 038,75		
43	<b>BUDGET INFORMATION</b>		
43.1	<b>Explanation of variances between approved and final budget amounts</b>		
	The reasons for the variances between the approved and final budgets are mainly due to variances, and the reprioritising of projects, with the corresponding changes to funding sources.		
43.2	<b>Explanation of variances greater than 5%: Final Budget and Actual Amounts</b>		
	<u>Statement of Financial Position</u>		
43.2.1	<u>Current Assets</u>		
	Cash and Cash Equivalents		
	Increase in Cash and Cash Equivalents due to monitoring of budget controls.		
	Other Debtors		
	Outstanding amount from Department Agriculture, Forestry and Fisheries not recovered during the year.		
43.2.2	<u>Non-Current Assets</u>		
	Intangible Assets		
	Increase due to review of remaining useful lives of assets and acquiring of assets.		
	Investment property carried at cost		
	Increase due to transfer of Property, Plant and Equipment to Investment Property.		
43.2.3	<u>Current Liabilities</u>		
	Borrowing		
	Increase due to new finance leases.		
	Trade and Other Payables		
	Increase due to correction of error on creditors.		
	Provisions		
	Increase in provision for staff leave and increase in the provision of post retirement benefits.		
43.2.4	<u>Non-Current Liabilities</u>		
	Borrowing		
	Increase due to new finance leases.		
	Provisions		
	Decrease due to actuarial gain on post-retirement benefits.		
43.2.5	<u>Net Assets</u>		
	Reserves		
	Decrease due to Capital Replacement Reserve used to finance capital expenditure.		

Namakwa District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June

	Note	2017 R	2016 R
<u>Statement of Financial Performance</u>			
43.2.6	<u>Revenue</u>		
	Rental of Facilities and Equipment <i>Decrease due to periodic vacant properties.</i>		
	Interest Earned - External Investments <i>Decrease due to decrease in interest rates and withdrawal of capital invested.</i>		
	Interest Earned - Outstanding Debtors <i>Increased due to debtors not paying on time.</i>		
	Fines <i>Due to no fines received during the year.</i>		
	Agency Services <i>Decrease due to decrease in functions performed on behalf of Provincial Departments.</i>		
	Transfers Recognised <i>Decrease due to the delayed implementation of functions on behalf of provincial department.</i>		
	Other Revenue <i>Increase due to an actuarial gain on post-retirement benefits.</i>		
43.2.7	<u>Expenditure</u>		
	Employee Related Costs <i>Vacant posts not filled.</i>		
	Remuneration of Councillors <i>Decrease due to upper limits only paid out in the following financial year.</i>		
	Debt Impairment <i>Increase due to the increase in provision of doubtful debts at year end.</i>		
	Finance Charges <i>Decrease due to decrease in interest cost of post-retirement benefits.</i>		
	Contracted Services <i>Decrease due to the delayed implementation of functions on behalf of provincial department.</i>		
	Transfers and Grants <i>Decrease due to Government and Provincial Grants not fully spent during the year.</i>		
	Other Expenditure <i>Decrease due to decrease in projects and budget monitoring.</i>		
	Loss on Disposal of PPE <i>Increase due to asset write-offs.</i>		
	Cash Flow Statement		
43.2.8	<u>Net Cash from Operating Activities</u>		
	Receipts <i>Variances due to decrease in functions performed on behalf of Provincial Departments, increase in cash and cash equivalents and reprioritising of projects.</i>		
	Payments <i>Decrease due to reprioritising of projects and budget monitoring.</i>		
43.2.9	<u>Net Cash from Investing Activities</u>		
	Capital Assets <i>Decrease due to savings on capital projects.</i>		
43.2.10	<u>Net Cash from Financing Activities</u>		
	Borrowing <i>Increase due to new finance leases.</i>		
44	<u>CAPITAL COMMITMENTS</u>		
	Commitments in respect of capital expenditure: Approved and contracted for:		
	Infrastructure	-	-
	Community	-	-
	Other	-	-
	Total	-	-
	This expenditure will be financed from:		
	Government Grants	-	-
	Total	-	-
45	<u>STATUTORY RECEIVABLES</u>		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Taxes	111 474	376 732
	VAT Receivable	-	-
	Receivables from Non-Exchange Transactions	-	-
	Rates	111 474	376 732
	Total Statutory Receivables	111 474	376 732



Namakwa District Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2017

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at		Received during the period	Redeemed / written off during the period	Balance at 30 June 2017		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R	R	R
LEASE LIABILITY										
Office Equipment and Tablets	NDM006-460818	31/01/2019	356 602	-	-	(127 195)	229 408	183 112	-	-
TOTAL EXTERNAL LOANS			356 602	-	-	(127 195)	229 408	183 112	-	-

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

Namakwa District Municipality  
APPENDIX B  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: MUNICIPAL VOTE CLASSIFICATION  
for the year ended 30 June 2017

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
6 834 412	21 679 265	(14 844 853)	Municipal Manager	7 573 662	19 485 444	(11 911 782)
29 483 672	6 038 742	23 444 930	Director: Finance	27 533 514	5 266 401	22 267 113
5 559 058	9 698 716	(4 139 657)	Director: Corporate Services	7 938 781	11 604 637	(3 665 857)
15 239 016	20 861 944	(5 622 928)	Director: Economic Development	7 512 129	31 640 406	(24 128 277)
2 924 030	9 821 761	(6 897 731)	Director: Community and Social Services	2 837 846	8 527 790	(5 689 944)
-	-	-	Director: Technical Services	8 187	8 187	-
60 040 188	68 100 427	(8 060 239)	Sub Total	53 404 118	76 532 866	(23 128 748)
-	-	-	Less Inter-Departmental Charges	-	-	-
60 040 188	68 100 427	(8 060 239)	Total	53 404 118	76 532 866	(23 128 748)

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.



Namakwa District Municipality  
APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
as at 30 June 2017

	Cost/Revaluation			Accumulated Depreciation and Impairment			Carrying value
	Opening Balance	Additions	Take-on Assets	Transfer in	Transfer out	Disposals	Closing Balance
	R	R	R	R	R	R	R
Executive Mayor (Mayor PA)	101 605	-	-	-	-	(10 316)	91 288
Speaker	111 643	-	-	-	-	-	111 643
Speaker: Secretary	81 599	-	-	-	-	(4 648)	76 951
Council: Councillors	36 415	-	-	-	-	(305)	36 110
Council: Exp: Admin	16 831	-	-	-	-	(5 432)	11 399
Community Development Officer	10 917 917	-	-	-	(135 000)	(95 787)	10 822 130
Municipal Manager	15 540	-	-	-	-	(6 545)	8 995
Deputy Municipal Manager	167 271	-	-	-	-	-	167 271
Internal Audit	33 234	-	-	-	-	-	33 234
Administration - Admin	48 397	-	-	-	-	-	48 397
Administration - HR	682 726	26 842	-	-	-	(1 283)	708 285
Equitable Share	122 350	-	-	-	-	(8 376)	113 974
Manager - Finance	871 873	-	-	-	-	(7 053)	864 820
Finance - Income	-	-	-	-	-	-	-
Finance - Expenditure	-	-	-	-	-	-	-
Safety	-	-	-	-	-	-	-
Head - Economic Development	2 959 176	195 782	-	-	-	(20 849)	3 134 109
Development & Marketing Officer	116 887	4 768	-	-	-	(2 367)	119 288
Tourism	300 371	-	-	-	-	(1 485)	298 885
Problem Animal Control	-	-	-	-	-	-	-
Head: Socio-Economic Develop	-	-	-	-	-	-	-
PIMS	931 157	-	-	-	-	(94 197)	836 960
Head Projects	-	-	-	-	-	-	-
Council Buildings	3 324 218	56 984	-	-	-	(35 006)	3 345 196
Council Vehicles	2 827 553	-	-	-	-	-	2 827 553
Council Projects	350 752	-	-	-	-	(28 727)	322 025
Environmental Health	194 263	-	-	-	-	(3 024)	191 239
Operational and Maintenance	13 762	-	-	-	-	(8 000)	5 762
Ph/L	17 481	-	-	-	-	-	17 481
Total	24 353 091	284 356	-	-	(135 000)	(345 684)	24 155 763
							15 427 843
							1 764 395
							11 069
							19 080
							(194 971)
							(330 436)
							16 716 980
							7 433 792

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

Namakwa District Municipality  
APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: GENERAL FINANCE STATISTICAL CLASSIFICATION  
for the year ended 30 June 2017

2016				2017		
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
6 834 412	21 679 265	(14 844 853)	Executive & Council	7 573 662	19 405 444	(11 911 782)
29 483 672	6 038 742	23 444 930	Budget & Treasury Office	27 533 514	5 266 401	22 267 113
-	-	-	Waste Management	-	-	-
15 239 016	20 861 944	(5 622 928)	Planning & Development	7 512 129	31 640 406	(24 128 277)
-	69 670	(69 670)	Health	-	-	-
2 428 000	5 000 660	(2 572 660)	Community & Social Services	2 428 000	4 338 337	(1 910 337)
-	-	-	Housing	-	-	-
496 030	4 751 432	(4 255 402)	Public Safety	409 846	4 189 454	(3 779 608)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
5 559 058	9 698 716	(4 139 657)	Corporate Services	7 938 781	11 604 637	(3 665 857)
-	-	-	Road Transport	8 187	8 187	-
-	-	-	Waste Water Management	-	-	-
-	-	-	Water	-	-	-
-	-	-	Electricity	-	-	-
-	-	-	Other	-	-	-
60 040 188	68 100 427	(8 060 239)		53 404 118	76 532 866	(23 128 748)
-	-	-	Less: Inter-Department Charges	-	-	-
60 040 188	68 100 427	(8 060 239)	Total	53 404 118	76 532 866	(23 128 748)

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.



Namakwa District Municipality

APPENDIX E

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2015  
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS  
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2017 Actual R	2017 Under Construction R	2017 Total Additions R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive & Council	-	-	-	-	-	-	
Budget & Treasury Office	-	-	-	-	-	-	
Corporate Services	83 806	-	83 806	1 200	(1 200)	-100.00%	An alternative chair was obtained for the P.A. of the Speaker which was already on the asset register.
Planning & Development	-	-	-	-	-	-	
Health	4 788	-	4 788	85 000	(1 194)	-1.40%	
Community & Social Services	-	-	-	-	-	-	
Housing	-	-	-	13 000	(8 232)	-63.32%	Saving at the Tourism offices with regard to office furniture.
	-	-	-	-	-	0.00%	
	-	-	-	-	-	0.00%	
Public Safety	195 782	-	195 782	675 000	(479 218)	-71.00%	Due to significantly higher quotations received for the upgrades of the call centres in Springbok and Calvinia, budget could not be spent.
Sport & Recreation	-	-	-	-	-	0.00%	
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	-	-	-	-	-	0.00%	
Waste Water Management	-	-	-	-	-	0.00%	
Road Transport	-	-	-	-	-	0.00%	
Water	-	-	-	-	-	0.00%	
Electricity	-	-	-	-	-	0.00%	
Total	284 356	-	284 356	774 200	(489 844)	-63.27%	

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

**Namakwa District Municipality**

**APPENDIX F**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2016	Contributions during the year	Correction of Error	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2017	Unspent 30 June 2017 (Creditor)	Unpaid 30 June 2017 (Debtor)
<b>National Government Grants</b>									
Finance Management Grant	1 240	1 250 000	-	-	(1 249 943)	-	1 297	1 297	-
RSC Levies Replacement Grant	-	24 621 000	-	-	(24 621 000)	-	-	-	-
Equitable Share	-	5 988 000	-	-	(5 988 000)	-	-	-	-
Conciliators Remuneration Grant	-	2 399 000	-	-	(2 399 000)	-	-	-	-
Health Inspectors Subsidy	-	2 428 000	-	-	(2 428 000)	-	-	-	-
Municipal Infrastructure Grant	17 102	-	-	-	(15 743)	-	1 359	1 359	-
Municipal System Improvement Grant	127 175	3 925 000	-	-	(2 705 305)	-	1 345 870	1 345 870	-
Rural Roads Asset Management Grant	2 255	-	-	-	-	-	2 255	2 255	-
<b>Total National Government Grants</b>	<b>147 772</b>	<b>40 611 000</b>	<b>-</b>	<b>-</b>	<b>(39 407 992)</b>	<b>-</b>	<b>1 350 780</b>	<b>1 350 780</b>	<b>-</b>
<b>Provincial Government Grants</b>									
Border Fencing	54 239	-	-	-	-	-	54 239	54 239	-
Civil Defence Subsidy	427 097	350 000	-	-	(109 171)	(195 782)	472 144	472 144	-
EPWP	23 166	1 000 000	-	-	(929 865)	-	70 301	70 301	-
Fire Equipment Grant	152 031	-	-	-	(104 893)	-	47 138	47 138	-
IDP/LDO	370 741	-	-	-	(368 741)	-	2 001	2 001	-
Komaggas Road	1	-	-	-	-	-	1	1	-
SA Projects	8	-	-	-	-	-	8	8	-
Namaqua Sanitation Bucket System	455 923	-	-	-	(151 651)	-	304 273	304 273	-
NC Housing	8 187	-	-	-	(8 187)	-	-	-	-
Sakrivier Bridge	1 905 353	-	-	-	(1 013 562)	-	891 771	891 771	-
Khoiso Pula Nala	4 798	-	-	-	-	-	4 798	4 798	-
Electronic Filing System	-	-	-	-	-	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>3 401 595</b>	<b>1 350 000</b>	<b>-</b>	<b>(23 000)</b>	<b>(2 686 090)</b>	<b>(195 782)</b>	<b>1 846 723</b>	<b>1 846 723</b>	<b>(0)</b>
<b>Other Grant Providers</b>									
Speegrivier Sport Ground (Lotto)	5 290	-	-	-	(5 290)	-	-	-	-
Swartzkop Sport Ground (Lotto)	16 565	-	-	-	-	-	16 565	16 565	-
Training Reserve (SETA)	3 842	-	-	-	-	-	3 842	3 842	-
<b>Total Other Grant Providers</b>	<b>25 696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 290)</b>	<b>-</b>	<b>20 407</b>	<b>20 407</b>	<b>-</b>
<b>Total Grants</b>	<b>3 575 063</b>	<b>41 961 000</b>	<b>-</b>	<b>(23 000)</b>	<b>(42 099 371)</b>	<b>(195 782)</b>	<b>3 217 910</b>	<b>3 217 910</b>	<b>(0)</b>

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.



Date		Description		Amount	
1912	Jan 1	Balance		100.00	
1912	Jan 15	Received from John Doe		50.00	
1912	Feb 1	Received from John Doe		25.00	
1912	Feb 15	Received from John Doe		25.00	
1912	Mar 1	Received from John Doe		25.00	
1912	Mar 15	Received from John Doe		25.00	
1912	Apr 1	Received from John Doe		25.00	
1912	Apr 15	Received from John Doe		25.00	
1912	May 1	Received from John Doe		25.00	
1912	May 15	Received from John Doe		25.00	
1912	Jun 1	Received from John Doe		25.00	
1912	Jun 15	Received from John Doe		25.00	
1912	Jul 1	Received from John Doe		25.00	
1912	Jul 15	Received from John Doe		25.00	
1912	Aug 1	Received from John Doe		25.00	
1912	Aug 15	Received from John Doe		25.00	
1912	Sep 1	Received from John Doe		25.00	
1912	Sep 15	Received from John Doe		25.00	
1912	Oct 1	Received from John Doe		25.00	
1912	Oct 15	Received from John Doe		25.00	
1912	Nov 1	Received from John Doe		25.00	
1912	Nov 15	Received from John Doe		25.00	
1912	Dec 1	Received from John Doe		25.00	
1912	Dec 15	Received from John Doe		25.00	
1912	Total			1000.00	

## **CHAPTER 06: AUDITOR GENERAL REPORT**

### **6.1 MANAGEMENT REPORT**

### **6.2 AUDIT ACTION PLAN**





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

## Report on the audit of the financial statements

### Opinion

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

### Basis for opinion

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

### Emphasis of matter

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

### Restatement of corresponding figures

7. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered in the financial statements of the municipality for the year ended 30 June 2017.



## **Other matters**

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

### **Unaudited supplementary schedules**

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

### **Unaudited disclosure notes**

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

## **Responsibilities of accounting officer for the financial statements**

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the Namakwa District Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

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



## Report on the audit of the annual performance report

### Introduction and scope

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

Objectives	Pages in the annual performance report
Objective 1: Ensuring the delivery of basic services which include water, sanitation, electricity and waste management	8
Objective 3: Ensure sustainable economic and social transformation in the District	11 - 13
Objective 4: Ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors	13 - 14
Objective 5: Creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs	8

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Objective 1: Ensuring the delivery of basic services which include water, sanitation, electricity and waste management.
- Objective 3: Ensure sustainable economic and social transformation in the District.



- Objective 4: Ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors.
- Objective 5: Creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs.

### **Other matters**

20. I draw attention to the matters below.

### **Achievement of planned targets**

21. Refer to the annual performance report on pages 8 to 13 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets.

### **Adjustment of material misstatements**

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the following objectives; Ensuring the delivery of basic services which include water, sanitation, electricity and waste management, ensuring sustainable economic and social transformation in the District, ensuring the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors, and the creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

## **Report on audit of compliance with legislation**

### **Introduction and scope**

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

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

### **Financial statements, performance and annual reports**

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

26. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.



## Human resource management

27. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1) (d) of the MSA.

## Consequence management

28. Prior year 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.

## Other information

29. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
30. 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.
31. 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.
32. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

## Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.

## Leadership

34. As the accounting officer did not review the monthly reports and the financial statements and the annual performance report before submitting them for auditing, internal control deficiencies pertaining to the asset register, reconciliation of creditors and the bank account were not identified and corrected.
35. Management did not have documented policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA.



36. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

### **Financial and performance management**

37. The municipality did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.
38. The municipality did not formulate and implement a record management policy and related procedures to ensure that all documentation was properly controlled. The supporting documentation for the recoverability and completeness of the debtor raised for the Department of Agriculture, Fisheries and Forestry was not sufficient for audit purposes. Declarations of interest for three of the audit committee members were outdated.
39. Management did not implement daily and monthly controls as designed for the municipality's business processes for bank and cash, overtime and creditors.
40. The financial statements and performance reports contained numerous misstatements that were subsequently corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.
41. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

### **Governance**

42. The municipality's action plan process to address internal audit findings relating to performance and compliance matters was not sufficient.
43. The internal audit function is not adequately resourced thus they are unable to identify internal control deficiencies and recommend corrective action effectively.
44. The municipality's internal auditors did not submit one of the quarterly reports on performance information.
45. The audit committee did not meet before the submission of the financial statements and annual performance report for auditing, to review the adequacy, reliability and accuracy of the financial statements.
46. Management did not approach the audit committee for assistance regarding impairment of the debtor from the Department of Agriculture, Forestry and Fisheries.

### **Other reports**

47. I draw attention to the following engagements conducted by various parties 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

48. The Directorate for Priority Crime Investigations is investigating the alleged corruption in the appointment of staff in higher positions together with their salary increases for the 2014/15 financial year. The investigation commenced during the current financial year and is currently still in progress.

*Auditor - General*

Kimberley

30 November 2017



**AUDITOR - GENERAL  
SOUTH AFRICA**

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

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

### **Financial statements**

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

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

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



Communication with those charged with governance

3. I communicate with the governing body regarding, among other matters, the financial 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 commit to the governing body that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and their significance, related matters.



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AUDITOR-GENERAL  
SOUTH AFRICA

# FINAL MANAGEMENT REPORT

## Namakwa District Municipality

30 June 2017

Communicated to the accounting officer on: 31 October 2017

Page 6	Section 1: Introduction with statement of the auditor's responsibility for the report
Page 7	Section 2: Matters relating to the auditor's report
Page 10	2.1 Audit of the financial statements
Page 11	2.2 Matters to be brought to the attention of users
Page 12	2.3 Audit of the annual performance report
Page 15	2.4 Audit of compliance with legislation
Page 18	2.5 Other information
Page 19	2.6 Internal controls
Page 20	Section 3: Assurance on values and conduct
Page 22	3.1 Assessment of governance practices
Page 23	3.2 Status of implementation of recommendations and action plans
Page 24	Section 4: Overall findings
Page 25	4.1 Financial viability
Page 26	4.2 Performance and cost management
Page 27	4.3 Risk and compliance management
Page 28	4.4 Use of credit and grants
Page 31	4.5 Public participation







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SOUTH AFRICA

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## **MANAGEMENT REPORT**

**NAMAKWA DISTRICT MUNICIPALITY**

**30 June 2017**

### **CONTENT**

<b>Introduction</b>	<b>Page 4</b>
<b>Overall message</b>	<b>Page 7</b>
<b>Section 1: Interactions with stakeholders responsible for oversight and governance</b>	<b>Page 8</b>
<b>Section 2: Matters relating to the auditor's report</b>	<b>Page 10</b>
2.1 Audit of the financial statements	<b>Page 10</b>
2.2 Matters to be brought to the attention of users	<b>Page 11</b>
2.3 Audit of the annual performance report	<b>Page 12</b>
2.4 Audit of compliance with legislation	<b>Page 16</b>
2.5 Other information	<b>Page 16</b>
2.6 Internal controls	<b>Page 17</b>
<b>Section 3: Assurance providers and commitments</b>	<b>Page 22</b>
3.1 Assessment of assurance providers	<b>Page 22</b>
3.2 Status of implementing commitments and recommendations	<b>Page 25</b>
<b>Section 4: Specific focus areas</b>	<b>Page 27</b>
4.1 Financial viability	<b>Page 27</b>
4.2 Procurement and contract management	<b>Page 29</b>
4.3 Fraud and consequence management	<b>Page 29</b>
4.4 Use of conditional grants	<b>Page 30</b>
4.5 Public participation	<b>Page 31</b>





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4.6 Use of consultants	Page 31
Section 5: Using the work of internal auditors	Page 32
Section 6: Emerging risks	Page 33
Section 7: Ratings of detailed audit findings	Page 35
Section 8: Conclusion	Page 35
Section 9: Summary of detailed audit findings	Page 36
Detailed audit findings: Annexures A to C	Page 41
Annexures D: Performance management and reporting framework	Page 124
Annexures E: Auditor-general's responsibility for the audit of the reported performance information	Page 127
Annexures F: Assessment of internal controls	Page 129





## MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE NAMAKWA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 June 2017

### INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 30 June 2017.
2. These findings were communicated to management and the report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:
  - express an opinion on the financial statements
  - express a conclusion in the management report on the usefulness and reliability of the reported performance information for selected objectives, and report the material findings in the auditor's report
  - report on material findings raised on compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

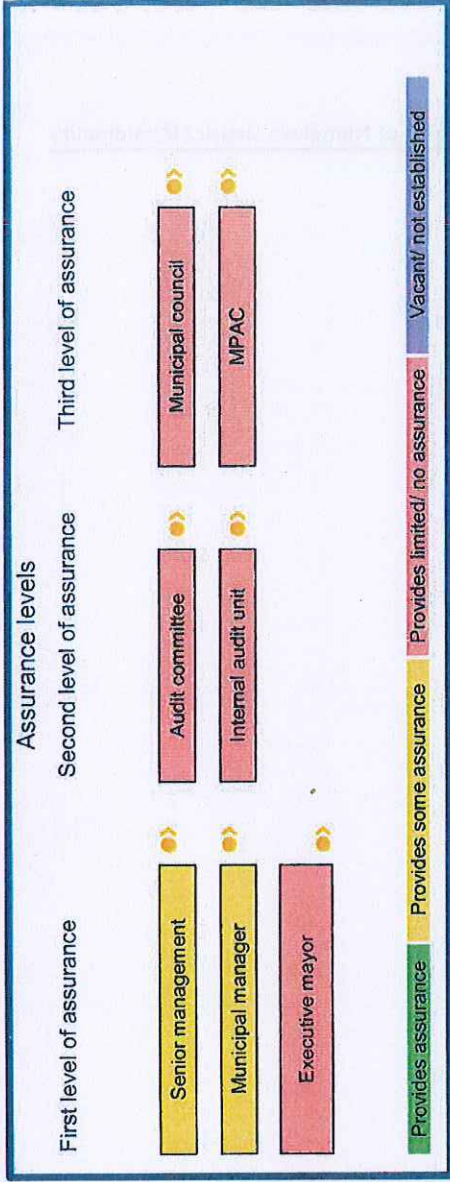
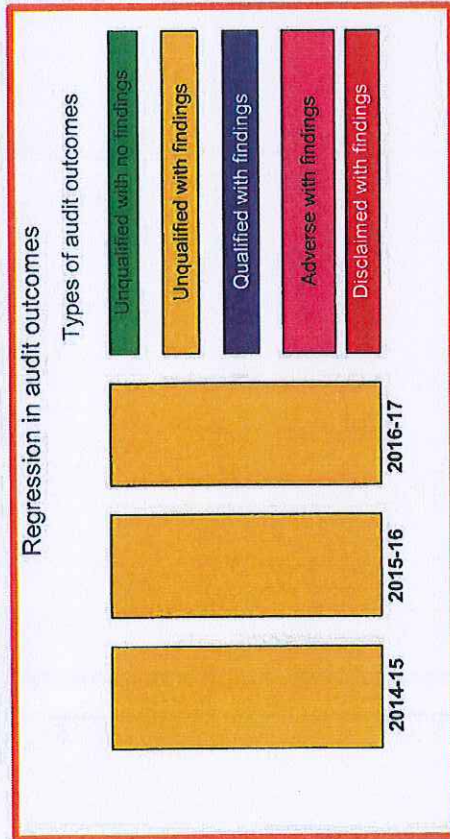
4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:
  - Status of the audit outcomes
  - Status of the level of assurance provided by key role players
  - Status of the drivers of internal controls
  - Status of risk areas
  - Root causes to be addressed



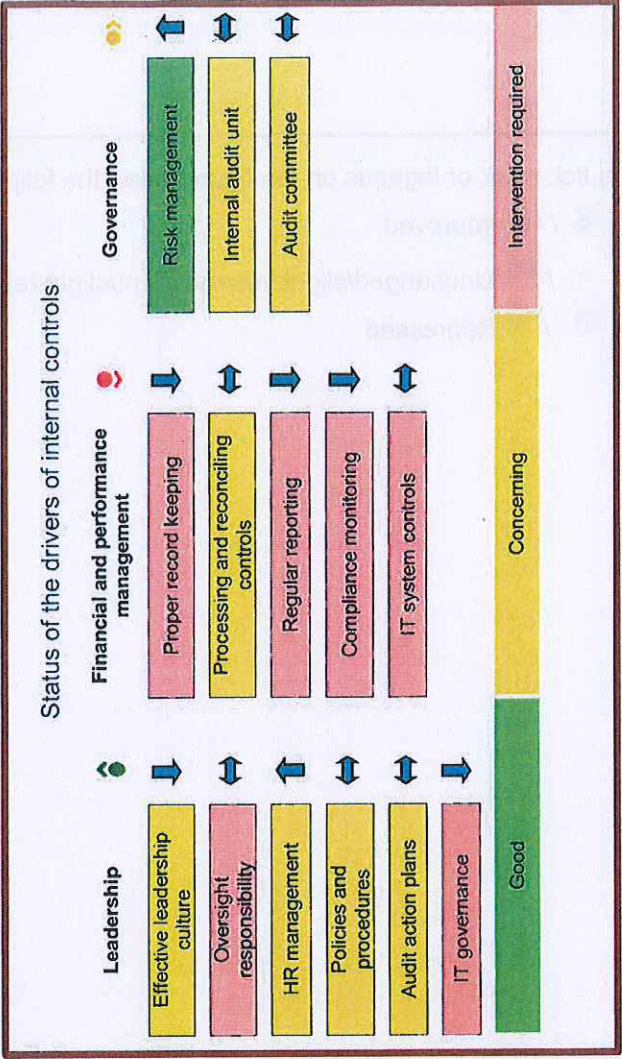
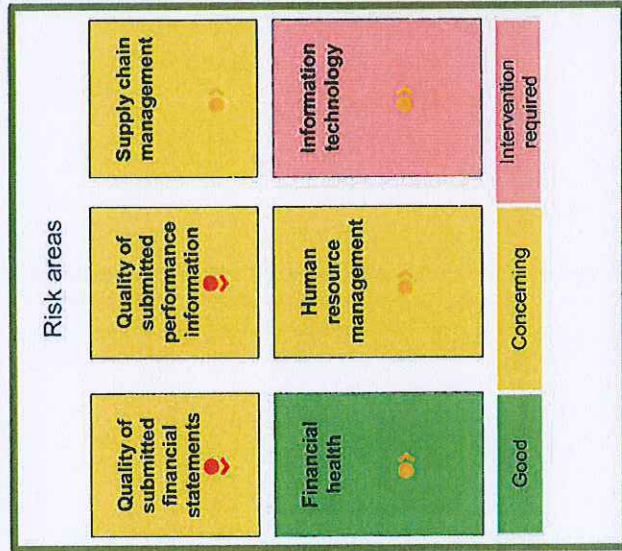
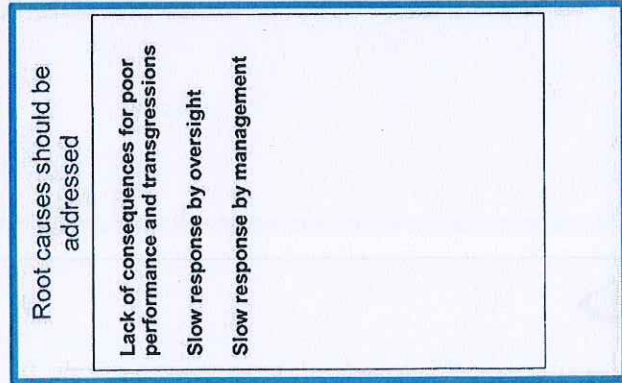
The tick mark or legends on the figure mean the following:

- ⬆ / ⬆ Improved
- ⬆ / ⬆ Unchanged/slight improvement/slight regression
- ⬆ / ⬆ Regressed





1 To improve/maintain the **audit outcomes** ...  
 ... the root causes are addressed...  
 2 ... the risk areas, and ...  
 3 ... the key role players need to assure that...  
 4 ... attention is given to the key controls, and ...  
 5 ... the best practices are maintained.





## OVERALL MESSAGE

7. **Audit outcomes:** The audit outcome has remained unchanged since the prior period. The municipality previously received an unqualified opinion with findings. The opinion for the current period is unqualified with findings.
8. **Assurance levels:** The assurance levels of senior management, municipal manager, the municipal council, audit committee, internal audit and MPAC has remained unchanged for the year under audit. The assurance levels of the mayor, has remained unchanged for the year under audit.
9. **Root causes to be addressed:** The municipality should focus on its compliance with legislation and ensure that proper processes and procedures are in place to identify non-compliance timeously so that proper remedial action can be taken.
10. **Risk areas:** The quality of the submitted financial statements has deteriorated since the prior period, which is of concern. The quality of the annual performance report submitted has also deteriorated since the prior period which is also of concern. The Supply Chain Management process has improved since the prior period. The financial health of the municipality has deteriorated from the prior period but it is still in good standing. Human resource management has remain unchanged since the prior period, yet the function is still concerning. Information technology processes have remained unchanged from the prior period. It is still of concern.
11. **Drivers of internal control:** Overall, leadership has improved however it is still concerning. Financial and performance management has regressed and intervention is required. Governance has remained unchanged and it is still defined as concerning.



## SECTION 1: Interactions with stakeholders responsible for oversight and governance

12. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome of the district municipality:

Key stakeholder	Purpose of interaction	Number of interactions
Executive mayor	Audit steering	4
Municipal manager/CFO	Audit steering	9
Internal Audit	Evaluation of internal audit ISA 610	2

13. At these interactions, we shared the following key matters affecting audit outcomes and the auditee:

- The action needed to address communication of audit findings, improvements in the internal control environment with the objective of achieving a clean audit outcome, and other discussion points relating to the audit.

14. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.



## SECTION 2: Matters relating to the auditor's report

### 2.1 AUDIT OF THE FINANCIAL STATEMENTS

Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

#### 2.1.1 Financial statements, performance and annual reports

15. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
16. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Material misstatement			Impact R current year	Impact R previous year
Financial statement item	Finding (Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement when applicable.)	Occurred in prior year (Insert Yes/No)		
Material misstatements corrected				
Current assets				
Receivables from exchange transactions	Receivable balance from the Department of Agriculture, Forestry and Fisheries not impaired (Ex.5)	No	(R19,226,349)	
Expenditure				
Expenditure	Receivable balance from the Department of Agriculture, Forestry and Fisheries not impaired (Ex.5)	No	R19,226,349	
Expenditure	Revenue incorrectly accounted for as agency income (Ex.85)	No	R757,478	





Financial statement item	Material misstatement		Occurred in prior year (Insert Yes/No)	Impact R current year	Impact R previous year
	Finding	(Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement when applicable.)			
<b>Expenditure</b>					
Revenue from non - exchange transactions		Revenue incorrectly accounted for as agency income (Ex. 85)	No	(R757,478)	



## 2.2 MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

### Emphasis of matter paragraph

17. The following emphasis of matter paragraph will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

### Restatement of corresponding figures

18. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered in the financial statements of the municipality for the year ended 30 June 2017.

### Other matter paragraphs

19. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

### Unaudited supplementary schedules

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

### Unaudited disclosure notes

21. 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 we do not express an opinion thereon.



## 2.3 AUDIT OF THE ANNUAL PERFORMANCE REPORT

22. In terms of the AG directive the opinion on the audit of reported information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is published in the auditor's report. I will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

### Introduction and scope

23. I have undertaken a reasonable assurance engagement on the reported performance information for the following selected strategic objectives presented in the annual performance report of the municipality for the year ended 30 June 2017:

Objectives	Pages in annual performance report	Opinion
Objective 1: Ensuring the delivery of basic services which include water, sanitation, electricity and waste management	8	Unmodified
Objective 3: Ensure sustainable economic and social transformation in the District	11 - 13	Unmodified
Objective 4: Ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors	13 - 14	Unmodified
Objective 5: Creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs	8	Unmodified

24. I conducted my reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information*.

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





**Objective 1 – Ensuring the delivery of basic services which include water, sanitation, electricity and waste management**

**Opinion**

26. In my opinion, the reported performance information for ensuring the delivery of basic services which include water, sanitation, electricity and waste management is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.

**Objective 3 – Ensure sustainable economic and social transformation in the District**

**Opinion**

27. In my opinion, the reported performance information for ensure sustainable economic and social transformation in the District, is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.

**Objective 4 – Ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors**

**Opinion**

28. In my opinion, the reported performance information for ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors, is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.

**Objective 5 – Creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs**

**Opinion**

29. In my opinion, the reported performance information for creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.





## Other matters

I draw attention to the matters below. My opinions are not modified in respect of these matters.

### Achievement of planned targets

30. Refer to the annual performance report on pages 8 to 13 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets.

### Adjustment of material misstatements

1. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the following objectives; Ensuring the delivery of basic services which include water, sanitation, electricity and waste management, ensuring sustainable economic and social transformation in the District, ensuring the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors, and the creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

## Responsibilities of the accounting officer for the reported performance information

31. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in annexure D to this report and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

## Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information.

32. My objectives are to obtain reasonable assurance about whether the reported performance information for the selected objectives presented in the annual performance report is free from material misstatement, and to issue a management report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.
33. 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 appropriateness of the performance indicators established and included in the planning documents. My procedures do not extend to any disclosures or assertions relating to planned



performance strategies and information relating to future periods that may be included as part of the reported performance. Accordingly, my opinion does not extend to these matters.

34. A further description of my responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.



## 2.4 AUDIT OF COMPLIANCE WITH LEGISLATION

35. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

### Financial statements

36. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
37. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### Human resource management

38. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1) (d) of the MSA.

### Consequence management

39. Prior year 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 Municipal Finance Management Act.

## 2.5 OTHER INFORMATION

40. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
41. 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.
42. 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.
43. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.





## 2.6 INTERNAL CONTROL

44. The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure on page 6 above, is described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

### Leadership

#### Oversight responsibility

45. As the accounting officer did not review the monthly reports and the financial statements and the annual performance report before submitting them for auditing, the following matters were not identified and corrected:
- The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting.
  - Various internal control deficiencies were noted on the fixed asset register where the source of funding and the condition of the asset were not included and where an asset did not have a location/room assigned to them.
  - Creditor reconciliations were not performed.
  - The bank reconciliation statement contained reconciling items which were identified in April 2017 which should have been cleared however the transactions were not processed and they were processed only after year end.

#### Human resource management and compensation

46. An assessment of human resource management has identified the following:

##### *Appointment processes*

- The prescribed selection and approval processes were not followed for all appointments.
- The verification process for new appointments did not always take place and cover criminal record checks.
- No performance management system in place for evaluation of senior management performance.
- Employees did not have signed performance agreements for the current performance period.





### **Policies and procedures**

47. Management did not have documented policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA, as detailed under the *Findings on non-compliance with legislation* section of this report. In addition, management did not take action to correct the following internal controls deficiencies identified during our audit:

- Not all policies and procedures have been reviewed by the Council during the financial year.
- The IT governance framework was not reviewed and adequately compiled as it did not meet the requirements of what is required as per the framework.
- Upon resignation from their municipal duties, some employees did not serve their notice periods as stipulated per their employee contracts.
- The municipality did not develop internal controls in order to ensure that cell phone allowances and basic remuneration packages are in line with the Government Gazette.

### **Action plans to address internal control deficiencies**

48. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

### **Information technology governance framework**

49. The IT governance framework, IT security policy and the IT backup strategy were incomplete with several key components missing.
50. The service level agreements were not adequately monitored due budget constraints. As a result the entity was at risk of loss of data and security breaches and they were unable to function adequately taking into account all IT risks.

### **Financial and performance management**

#### **Proper record keeping**

51. The municipality did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.
52. The municipality did not formulate and implement a record management policy and related procedures to ensure that all documentation was properly controlled. The supporting documentation for the recoverability and completeness of the debtor raised for the Department of Agriculture, Fisheries and Forestry was not sufficient for audit purposes. Declarations of interest for three of the audit committee members were outdated.





### **Daily and monthly processing and reconciling of transactions**

53. Management did not implement the following daily and monthly controls as designed for the municipality's business processes:

- Overtime reconciliations were not performed between the overtime exception report and the actual overtime.
- The bank reconciliation statement contained reconciling items which were identified in April 2017 which should have been cleared however the transactions were not processed and they were processed only after year end.
- Creditor reconciliations were not performed.

### **Regular, accurate and complete financial and performance reports**

54. As indicated in section 2.1 and 2.3 of this report, the financial statements and performance reports contained numerous misstatements that were subsequently corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.

### **Compliance monitoring**

55. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

### **Information technology system**

56. The backup process and policy was inadequate due to that management did not provide effective oversight over monitoring of the backups.

57. Inadequate security controls were due to management not providing effective oversight over security controls. Furthermore, audit evidence was not provided due to failure by management in implementing and tracking IT audit findings.

## **Governance**

### **Internal audit**

58. The internal audit unit did not follow up the implementation of internal and external audit recommendations to address audit findings.

59. The internal audit function is not adequately resourced. Thus they are unable to identify internal control deficiencies and recommends corrective action effectively.

60. The municipality's internal auditors did not submit one of the quarterly internal audit reports on performance information.





### **Audit Committee**

61. The audit committee did not meet before the submission of the financial statements and annual performance report for auditing, to review the adequacy, reliability and accuracy of the financial statements.
62. Management did not approach the audit committee for assistance regarding the provision for bad debt impairment of the Department of Agriculture, Forestry and Fisheries debtor.

### **Summary**

63. The matters above, as they relate to the basis for the unqualified opinion, findings on compliance with legislation, will be summarised in the auditor's report as follows:

### **Leadership**

64. As the accounting officer did not review the monthly reports and the financial statements and the annual performance report before submitting them for auditing, internal control deficiencies pertaining to the asset register, reconciliation of creditors and the bank account were not identified and corrected
65. Management did not have documented policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA.
66. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

### **Financial and performance management**

67. The municipality did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.
68. The municipality did not formulate and implement a record management policy and related procedures to ensure that all documentation was properly controlled. The supporting documentation for the recoverability and completeness of the debtor raised for the Department of Agriculture, Fisheries and Forestry was not sufficient for audit purposes. Declarations of interest for three of the audit committee members were outdated.
69. Management did not implement daily and monthly controls as designed for the municipality's business processes for bank and cash, overtime and creditors.
70. The financial statements and performance reports contained numerous misstatements that were subsequently corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.
71. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.



## Governance

72. The municipality's action plan process to address internal audit findings relating to performance and compliance matters was not sufficient.
73. The internal audit function is not adequately resourced thus they are unable to identify internal control deficiencies and recommends corrective action effectively.
74. The municipality's internal auditors did not submit one of the quarterly internal audit reports on performance information.
75. The audit committee did not meet before the submission of the financial statements and annual performance report for auditing, to review the adequacy, reliability and accuracy of the financial statements.
76. Management did not approach the audit committee for assistance regarding the provision for bad impairment of the Department of Agriculture, Forestry and Fisheries debtor.



## SECTION 3: Assurance providers and status of implementation of commitments and recommendations

### 3.1 ASSESSMENT OF ASSURANCE PROVIDERS

77. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of the municipal council is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
78. Our reporting and oversight processes reflect on past events, as they take place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
79. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

#### First level of assurance

##### Senior management: provides some assurance

80. Senior management was involved in internal controls and monitoring of the controls during the financial year. However material findings were identified in the financial statements and performance management however these were subsequently corrected.

##### Accounting officer: provides some assurance

81. The accounting officer's position was occupied for the entire period under review.
82. The accounting officer's is actively involved in the day to day activities and attends all the audit steering committee meetings. For this reason, we have assessed the accounting officer as providing some assurance.

##### Executive mayor: provides limited assurance

83. Due to the fact that several instances of non-compliance with laws and regulations were identified in the financial statements and no corrective action was taken by the Executive Mayor or Council, the Executive Mayor has been assessed as providing limited assurance.





## Second level of assurance

**Internal audit unit:** provides limited assurance

84. Legislation in South Africa requires the establishment, roles, and responsibilities of internal audit units. Internal audit units form part of the internal control and governance structures of the district municipality and play an important role in its monitoring activities. Internal audit provides an independent assessment of the district municipality's governance, risk management and internal control processes.
85. The internal audit unit of a district municipality's must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on implementing the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the MFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
86. The fourth quarterly report on performance information was not issued to the audit committee.
87. The municipality's action plan process to address internal audit findings relating to compliance matters was not sufficient.
88. The internal audit function is not adequately resourced thus they are unable to identify internal control deficiencies and recommends corrective action effectively.

**Audit committee:** provides limited assurance

89. The audit committee is an independent advisory body to the council, accounting officer and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the MFMA and any other applicable legislation; performance evaluation; and any other issues.
90. The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the district municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.
91. Limited number of material findings was identified in the financial statements and performance management and therefore they provided some assurance.
92. The audit committee did not meet before the submission of the financial statements and annual performance report for auditing, to review the adequacy, reliability and accuracy of the financial statements.
93. Management did not approach the audit committee for assistance regarding the provision for bad debt on Department of Agriculture, Forestry and Fisheries.





### Third level of assurance

**Municipal council:** provides limited assurance

94. The council is not actively involved in the day to day activities of the municipality and several instances of non-compliance with laws and regulations were identified and no correction action was taken by the council. As a result the level of assurance provided by the council is limited.

**Municipal public account committee (MPAC):** provides limited assurance

95. The extent to which the council adopted the MPAC guides has been considered in the assessment of MPAC as an assurance provider.
96. MPAC did not have all the required meetings during the year as required by their mandate which is 1 meeting per quarter, only 2 meetings were held and therefore they are assessed as providing limited assurance.



### 3.2 STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS

97. Below is our assessment of the progress in implementing the commitments made by the district municipality to address the previous and current years' audit findings.

No.	Commitment	Made by	Date	Status
1	Compliance on performance agreements	Director Corporate Services	31 Mar 2017	Not addressed/limited progress
2	Related parties declarations of interest	Director Corporate Services	31 Mar 2017	In progress
3	VAT Output not levied on rental income from Commercial Properties	CFO	31 Mar 2017	Not addressed/limited progress
4	Deviation from 3 quotes not recorded or approved	CFO	31 Mar 2017	In progress
5	Exceptions identified: 3 Quotations not obtained	CFO	31 Mar 2017	In progress
6	Deviations not reported to Council and not disclosed in the AFS	CFO	31 Mar 2017	In progress
7	People in service of the state not disclosed on the AFS	CFO	31 Mar 2017	Addressed
8	No reasons provided for under achievement of indicators	Director LED Projects. Planning and Tourism	31 Mar 2017	In progress
9	Inconsistencies between planned and reported targets	Director LED Projects. Planning and Tourism	31 Mar 2017	Addressed
10	Standard operating procedures	Director LED Projects. Planning and Tourism	31 Mar 2017	In progress
11	Differences in Budget Disclosures	CFO	31 Mar 2017	Addressed
12	Pre-paid expense not provided for in the prior year	Supply Chain Senior Clerks	31 Mar 2017	Not addressed/limited progress
13	Cut-off error	Senior Accountant and CFO	31 Mar 2017	Not addressed/limited progress
14	Accrual not provided for in the prior year	Senior Accountant and CFO	31 Mar 2017	Not addressed/limited progress
15	Input VAT incorrectly claimed	CFO	31 Mar 2017	Not addressed/limited progress
16	Cut-off error	Senior Accountant and CFO	31 Mar 2017	Not addressed/limited progress





17	Difference identified between bank reconciliation and AFS	Senior accountant	31 Mar 2017	Addressed
18	Difference noted on leave balances	Director Corporate Services	31 Mar 2017	Addressed
19	Payments not made within 30 days	CFO	31 Mar 2017	In progress
20	Councillor remuneration exceeds upper limit (1)	CFO	31 Mar 2017	Not addressed/limited progress
21	Internal Control Deficiencies: List of Prospective Providers	Supply Chain Clerk	31 Mar 2017	Addressed
22	Differences identified on Note 34 as per AFS	CFO	31 Mar 2017	Addressed
23	Useful lives differ from the accounting policy	CFO	31 Mar 2017	Addressed
24	GRAP disclosure checklist (1)	CFO	31 Mar 2017	Not addressed/limited progress
25	Provision for Bad debt not complete	CFO	31 Mar 2017	Not addressed/limited progress
26	Amounts recognised as revenue does not agree to supporting documentation	Accountant	31 Mar 2017	Not addressed/limited progress
27	Deposit recognised as revenue within 36 months	Senior Accountant and CFO	31 Mar 2017	Addressed
28	Provision on debtors and creditors	CFO	31 Mar 2017	Addressed

98. Ten audit recommendations accepted by management in the previous year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.
99. Seven recommendations are still being implemented and eleven have not been addressed, or very limited progress has been made.
100. Details on the status of implementing the previous year's recommendations are provided in section 9, which summarises the detailed audit findings.





## SECTION 4: Focus areas

### 4.1 FINANCIAL VIABILITY

101. Our audit included a high-level overview of the District Municipality's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

Financial viability assessment			
(Limitation = unable to obtain sufficient appropriate information to assess the Indicator)		As at 30 June 2017	As at 30 June 2016
<b>Expenditure management</b>			
1.1	Creditor payment period	116.8 Days	14.5 Days
<b>Revenue management</b>			
2.1	Debt-collection period (after impairment)	136 Days	32.9 Days
2.2	Debt impairment provision as a percentage of accounts receivable	90.67%	65.40%
	• Amount of debt impairment provision	R 24,306,608	R 575,370
	• *Amount of accounts receivable	R 26,804,998	R 879,732
<b>Asset and liability management</b>			
3.1	A deficit for the year was realized (total expenditure exceeded total revenue)	Yes	Yes
	• Amount of the surplus/(deficit) for the year	(R 23,128,748)	(R 8,060,239)
3.2	A net current liability position was realized (total current liabilities exceeded total current assets)	No	No
	• Amount of net current assets/(liability) position	(R 9,599,583)	R 21,392,595
3.3	A net liability position was realized (total liabilities exceeded total assets)	No	No
	• Amount of net asset/(liability) position	(R 10,478,480)	R 12,834,742





Financial viability assessment			
(Limitation = unable to obtain sufficient appropriate information to assess the indicator)		As at 30 June 2017	As at 30 June 2016
Cash management			
4.1	The year-end bank balance was in overdraft	No	No
	• Amount of year-end bank balance (cash and cash equivalents)/(bank overdraft)	R 8,228,114	R 18,975,937
4.2	Net cash flows for the year from operating activities were negative	Yes	Yes
	• Amount of net cash in/(out) flows for the year from operating activities	R 10,336,486	R 8,535,524
4.3	Creditors as a percentage of cash and cash equivalents	67 %	3.97 %
	• Amount of creditors (accounts payable)	R 5,514,288	R 753,304
	• Amount of cash and cash equivalents/(bank overdraft) at year-end	R 8,228,114	R 18,975,937
Overall assessment			
Overall the financial viability is assessed as:		Yellow(Concerning)	Green (Good)

102. The net liability position weakened due to the impairment provision against the receivable balance from the Department of Agriculture, Forestry and Fisheries.
103. The creditor payment period increased significantly due to the additional suppliers recognised for the project administrated on behalf of the Department of Agriculture, Forestry and Fisheries.
104. No material uncertainty existed that may cast significant doubt on the municipality's ability to operate as a going concern.
105. The municipality has sufficient or has access to sufficient resources to settle their liabilities as they become due.





## 4.2 PROCUREMENT AND CONTRACT MANAGEMENT

### Awards to close family members of persons in the service of the state

106. Awards to providers owned/managed by persons that are close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However, such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM regulation 45. The audit included the identification of awards to close family members. Further testing was performed to determine whether the financial statement disclosure was made and the legislated requirements with regard to declarations of interest were adhered to.
107. The findings were as follows:
- A close family member of one official had an interest in awards made to the value of R 24 337, the official did not declare her interest.

### Procurement processes

108. The table below is a summary of findings identified on procurement processes:

	Total		Quotations		Contracts	
	Number	Value	Number	Value	Number	Value
<b>Awards selected for testing</b>	46	R 6,449,432	33	R 1,442,141	13	R 5,007,291
<b>Expenditure incurred on selected awards – current year</b>		R 4,986,719		R 1,378,317		R 3,608,402
<b>Awards on which non-compliance was identified</b>	-	-	-	-	-	-
<b>Irregular expenditure identified</b>	-	-	-	-	-	-

### Internal control deficiencies

109. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

## 4.3 FRAUD AND CONSEQUENCE MANAGEMENT

110. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or





error, and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

111. Below is a summary of fraud risk factors that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement due to fraud.

- o According to ISSAI 1240 procurement is a presumed fraud risk.
- o Risk of management override of controls

112. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the District Municipality's management of consequences. The significant findings are provided below:

#### Irregular expenditure

Finding	Number of instances	Value
<b>Irregular expenditure</b>		
Irregular expenditure identified in the previous year was not investigated to determine if any person was liable for the expenditure	6	R 129,919
Irregular expenditure was not properly investigated	6	R 129,919
Effective and appropriate disciplinary steps were not taken against officials who permitted irregular expenditure	6	R 129,919
Losses resulting from irregular expenditure were not recovered from the person liable	6	R 129,919

#### Ongoing investigations

The Directorate for priority crime investigations is investigating the alleged corruption in the appointment of staff in higher positions together with their salary increases for the 2014/15 financial year. The investigation commenced during the current financial year and is currently still in progress.

## 4.4 USE OF CONDITIONAL GRANTS

113. For the financial year under review, the audit included an assessment of the effectiveness of the municipality's use of the following conditional grants received:

- o Expanded Public Works Programme
- o Rural Roads Asset Management Grant



114. For each of the grants tested as per the table below, we selected key projects funded by the grant and audited the use of grants on the project. Listed below are the audit findings raised on each project.

Key projects/initiatives funded by the grant		
Summary of selected key project and result of testing	Details	Details
Name of grant	EPWP	RRAM
Project/initiative funded by the grant	Paving of sidewalks at head offices in Springbok	The Development Of The Rural Road Asset Management Systems
Audit findings	There were no audit findings	

#### 4.5 PUBLIC PARTICIPATION

115. As part of the audit of predetermined objectives we audit compliance with the provisions of the Municipal Systems Act relevant to community participation. No findings were raised in this regard.

#### 4.6 USE OF CONSULTANTS

116. The audit included an assessment of the effective use of consultants. In the local government environment, the partnership between the private and public sectors has become important in driving strategic goals.
117. The total expenditure on consultants was R 598,602.





## SECTION 5: Using the work of internal audit

118. The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance.

119. The following list of reports were used for risk identification:

- Expenditure Management report
- Internal audit report (SDBIP)
- Registration report
- Subsistence and travel report
- Tourism report
- mSCOA report
- SCM report
- Performance reports

120. The internal audit function was not used for external audit purposes or for direct assistance as the timing and extent of their work differed from our required procedures.



## SECTION 6: Emerging risks

### 6.1 Accounting, performance management/reporting and compliance matters

#### New pronouncements

#### Standards of GRAP

121. The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
<i>Conceptual framework for general purpose financial reporting</i>	Applicable once published
GRAP 20, <i>Related party disclosures</i>	To be determined
GRAP 32, <i>Service concession arrangements: grantor</i>	To be determined
GRAP 34, <i>Separate financial statements</i>	To be determined
GRAP 35, <i>Consolidated financial statements</i>	To be determined
GRAP 36, <i>Investments in associates and joint ventures</i>	To be determined
GRAP 37, <i>Joint arrangements</i>	To be determined
GRAP 38, <i>Disclosure of interests in other entities</i>	To be determined
GRAP 108, <i>Statutory receivables</i>	To be determined
GRAP 109, <i>Accounting by principals and agents</i>	To be determined
GRAP 110, <i>Living and non-living resources</i>	To be determined
IGRAP 17, <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i>	To be determined
IGRAP 18, <i>Recognition and derecognition of land</i>	1 April 2019
IGRAP 19, <i>Liabilities to pay levies</i>	1 April 2019
Directive 12, <i>The selection of an appropriate reporting framework by public entities</i>	1 April 2018
<i>Guideline on accounting for housing arrangements</i>	Applicable once published

#### Municipal SCOA

122. The municipality has implemented the municipal SCOA subsequent to year end and it is functional except for the asset management system which has not yet been utilised.





## 6.2 Audit findings on the annual performance report that may have an impact on the audit opinion in future

123. For the 2016-17 cycle, the planned and reported performance information of selected strategic objectives were audited against the criteria as developed from the Performance management and reporting framework (PMRF).
124. Any audit findings in this regard will only be reported in the annexure to the management report and will not have an impact on the audit opinion in the management report for 2016-17. These findings will also not be reported in the auditor's report.
125. The following findings were identified from the audit against the additional criteria:

- **Consistency**

The achievements against the planned indicator and target there were reported were not consistent with the information audited. This is not in line with the requirements of section 41(c) of the MSA, 2000 (Act No. 32 of 2000).

- **Presentation and disclosure**

The reported measures taken to improve performance against the planned target were not supported by the evidence provided, as required by section 46(c) of the MSA, 2000 (Act No. 32 of 2000).

## SECTION 7: Ratings of detailed audit findings


126. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: these matters should be addressed as a matter of urgency.
- Other important matters: these matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- Administrative matters: these matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

## SECTION 8: Conclusion

127. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remains committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully



Larusha Padayachy CA(SA)  
Senior Manager: Kimberley

30 November 2017

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### Distribution:

Audit committee  
Head of internal audit unit  
Municipal Manager  
Chief Financial Officer





## SECTION 7: Summary of detailed audit findings

57. The findings of this report, the detailed audit findings included in annexes A to C have been classified as follows:

- **Material to be included in the auditor's report:** These matters should be addressed as a matter of urgency.
- **Other important matters:** These matters should be addressed in separate letters from the auditor to the relevant departments or entities, highlighting the areas of concern and the need for improvement.
- **Administrative matters:** These matters are only included in the auditor's report if they are of a nature that requires the attention of the relevant departments or entities.

## SECTION 8: Conclusion

58. The matters covered by this report are of a nature that require the attention of the relevant departments or entities. The auditor has identified areas of concern and has provided recommendations for improvement. The auditor has also identified areas of good practice and has provided recommendations for improvement. The auditor has also identified areas of good practice and has provided recommendations for improvement.

Yours faithfully,



Liam J. O'Connell  
Auditor General

30 November 2017

Director General  
Department of the Environment  
100, Victoria Road  
Dublin 1

Director General  
Department of the Environment  
100, Victoria Road  
Dublin 1

## SECTION 9: Summary of detailed audit findings

Page no.	Finding	Classification					Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters		
Cash and cash equivalents										
	CASH: Impairment of Nuweveld investment account (Ex.33)	✓						✓		[In progress/Not addressed]
	CASH: exceptions on the bank reconciliation (Ex.32)	✓						✓		[In progress/Not addressed]
	CASH: Unrecorded interest at year end (EX.58)	✓						✓		[In progress/Not addressed]
Employee costs										
	EMP: Incomplete employee files (Ex.28)	✓						✓		[In progress/Not addressed]
	EMP: Termination notice period (Ex.31)	✓						✓		[In progress/Not addressed]
General IT controls										
	INTCNTRL: IT Policies requirements and approval (Ex.4)				✓			✓		[In progress/Not addressed]
Internal control										
	INTCNTRL -Outdated declaration of interest (Ex.8)				✓			✓		[In progress/Not addressed]
	INTCNTRL - Clock system not operating (Ex.9)				✓			✓		[In progress/Not addressed]
	INTCNTRL: No overtime exception report (Ex.30)				✓			✓		[In progress/Not addressed]



Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	INTCNTRL: Balance sheet line items (Receivables) for 2016/17 financial period was not budget for in 2016/17 budget provided (Ex.48)				✓			✓			[In progress/Not addressed]
<b>Compliance</b>											
	COMPL: The municipality does not have four quarterly internal audit reports on : performance information (Ex.3)			✓				✓			[In progress/Not addressed]
	COMPL: mSCOA non-compliance (Ex.14)			✓				✓			[In progress/Not addressed]
	COMPL: Deficiencies noted on asset register (Ex.26)			✓				✓			[In progress/Not addressed]
	COMPL: The total annual remuneration and the cell phone allowance exceed the upper limits as per the Government Gazette (Ex.21)			✓				✓			[In progress/Not addressed]
	COMPL: Incorrect B-BEE score used for bidder (Ex 39)			✓				✓			[In progress/Not addressed]
	COMPL: No performance evaluation for staff (EX.51)			✓			✓				[In progress/Not addressed]
<b>Disclosure</b>											
	DISCL : Disclosure difference noted in the financial statements - note 3 as per annual financial statements (Ex.12)	✓						✓			[In progress/Not addressed]



Page no.	Finding	Classification					Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	
	DISCL: Investment property disclosure (Ex.62)	✓						✓		[In progress/Not addressed]
	DISCL: Related party Note 37 in the Financial Statements is incorrect (Ex.84)	✓						✓		[In progress/Not addressed]
<b>Movable assets</b>										
	PPE: Assets not barcoded (EX.53)	✓						✓		[In progress/Not addressed]
	PPE: Asset does not have a location of room number (Ex.63)				✓			✓		[In progress/Not addressed]
	PPE: Asset barcodes (EX. 81)				✓			✓		[In progress/Not addressed]
<b>Operating expenditure</b>										
	EXP: Expenditure incurred in prior year was recognised in the current period (cut-off) (Ex.6)	✓						✓		[In progress/Not addressed]
	EXP: Unrecorded expenditure and liabilities at year end (Cut-off) (Ex.18)	✓						✓		[In progress/Not addressed]
<b>Payable</b>										
	CRED: Supplier reconciliations not performed for all creditors (Ex.2)	✓						✓		[In progress/Not addressed]
	CRED: Incorrect classification of unpaid Subsistence and travel claims to Trade creditors (EX.47)	✓						✓		[In progress/Not addressed]



Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	CRED: Long outstanding debit suspense account (EX.50)	✓						✓			[In progress/Not addressed]
<b>Predetermined objectives</b>											
	AOPO: Underachieved target with no remedial action taken (Ex.24)		✓					✓			[In progress/Not addressed]
	AOPO: Reporting in the APR is inconsistent with the evidence submitted (Ex.25)		✓					✓			[In progress/Not addressed]
	AOPO: Completeness of indicators cannot be confirmed (EX.44)		✓					✓			[In progress/Not addressed]
	AOPO: Insufficient information to confirm indicator (EX.45)		✓					✓			[In progress/Not addressed]
	AOPO: Working for water (person days and alien vegetation) reporting inconsistencies noted (EX.55)		✓					✓			[In progress/Not addressed]
	AOPO: Inconsistencies in reporting on the APR and Actuals ( EX .56)		✓					✓			[In progress/Not addressed]
	AOPO: Inconsistency in HIV/AIDS indicator (Ex.57)		✓					✓			[In progress/Not addressed]
<b>Procurement and Contract Management</b>											
	PROC: The entity did not select the lowest of the three quotations obtained and no deviation form was completed (Ex.7)			✓				✓			[In progress/Not addressed]
	PROC: Transactions not disclosed in the			✓			✓				[In progress/Not addressed]



Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	financial statements (Ex.36)										addressed]
	PROC: VAT excluded from Preferential points calculations (Ex.38)			✓			✓				[In progress/Not addressed]
	PROC: Bid not advertised for 14 days (Ex.40)			✓			✓				[In progress/Not addressed]
	PROC: No deviation form attached on payment voucher (Ex 43)			✓				✓			[In progress/Not addressed]
	SCM: Deviations disclosure is inaccurate. (EX.77)	✓						✓			[In progress/Not addressed]
	PROC: Prior year irregular expenditure not investigated by council. (EX.67)			✓			✓				[In progress/Not addressed]
	PROC: VAT excluded from preference points calculations (EX.79)			✓			✓				[In progress/Not addressed]
	PROC: Member of the Bid committee was a member of the adjudication committee (EX.80)			✓			✓				[In progress/Not addressed]
<b>Receivables</b>											
	REC: Receivable balance from the Department of Agriculture, Forestry and Fisheries not impaired (Ex.5)	✓					✓				[In progress/Not addressed]
	REC: Provision for doubtful debt not complete (Ex.20)	✓						✓			[In progress/Not addressed]
	REC: Debtors sub-ledger does not add up to final debtors age-analysis (Ex.49)	✓					✓				[In progress/Not addressed]



Page no.	Finding	Classification					Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters	
	REC: Debtors with credit balances are understated in the annual financial statements (Ex.60)	✓						✓		[In progress/Not addressed]
<b>Revenue</b>										
	REV: No rent charged to debtor for rental of buildings (Ex.71)	✓						✓		[In progress/Not addressed]
	REV: No valid rental contracts in place for rental income recognized in the billing report (Ex.66)	✓						✓		[In progress/Not addressed]
	REV: Budget not signed by the Department of Agriculture, Forestry and Fisheries (Ex.68)	✓					✓			[In progress/Not addressed]
	Rev : Rental income incorrectly classified as sundry income (Ex.69)	✓						✓		[In progress/Not addressed]
	Rev: Rental income not paid on market related prices (Ex.70)	✓						✓		[In progress/Not addressed]
	REV: Billing integration report does not agree to the general ledger. (EX.78)	✓						✓		[In progress/Not addressed]



## Detailed audit findings

### ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

#### Internal control

#### 1. COMPL: No performance evaluation for staff (EX.51)

##### Audit finding

The Municipal Finance Management Act section 62(1)(c)(i) states:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

The Municipal Finance Management Act section 67(1)(d) states:

*"Human resource development.—(1) A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including—  
(d) the monitoring, measuring and evaluating of performance of staff;"*

##### Nature:

The municipality has not developed and adopted appropriate systems and procedures to monitor, measure and evaluate performance of staff other than the municipal manager and senior managers.

Performance evaluation of the municipal manager and senior managers were not performed during the financial year under audit.

##### Cause

No performance agreements were agreed with the employees.

##### Impact:

This could impact negatively on service delivery and is also in contravention of the requirements of the Municipal Finance Management Act.

##### Internal control deficiency

##### Leadership

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

##### Recommendation

Each employee's promotion/raises should be performance linked, performance agreements can be put in place and the assessment of senior managers can also be linked to the rating of the staff working under them.



## Management's response

Management takes note of the exception raised. Please see responses below:

1. Performance evaluation system for employees – The draft individual performance management system for other staff was developed and awaits council approval. With the new SDBIP monitoring system utilised, some of the other staff are also evaluated based on performance of specific indicators.
2. The performance evaluation of the Municipal Manager and Senior Managers will be done in late October / early November 2017.

## Supporting documentation provided:

1. The draft individual performance management system for other staff.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

## Auditor's conclusion

Management agrees with the exception, the finding will remain as it constitutes non-compliance with the MFMA.

## Procurement and Contract Management

### 2. PROC: Transactions not disclosed in the financial statements (Ex.36)

#### Audit finding

##### Requirement/Legislation

The Supply Chain Regulation section 45 states the following:

*"The notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelvemonths, including -*

- (a) the name of that person;*
- (b) the capacity in which that person is in the service of the state; and*
- (c) the amount of the award."*

#### Nature:

The spouse of C Jantjies (accountant) is a director of Afren Power Projects (Pty) Ltd.

The following payments were made to the company during the year:

Period	Vote number	Vote Description	Transaction Type	Reference	TranDate	Amount
201611	9000052170001	PRIMARY BANK ACCOUNT (ABSA)	Order Payments	INV90100032390	20161103	4,101.72
201703	9000052170001	PRIMARY BANK ACCOUNT (ABSA)	Order Payments	INV90100032915	20170112	16,866.87
201703	9000052170004	PRIMARY BANK ACCOUNT (NEDBANK)	Order Payments	INV90200033441	20170313	3,368.02
						24,336.61

These payments are not disclosed in the financial statements.

#### Cause:

The transactions were not disclosed in the financial statements.

#### Impact:

This is non-compliance with the Supply Chain Regulations section 45.

#### Internal control deficiency

##### Leadership:

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

#### Recommendation

The accounting officer should ensure that the transactions are disclosed in the financial statements as per section 45 of the Supply Chain Regulation.

#### Management's response



Management disagrees with the exception raised. Management confirmed that Mrs C Jantjies is not a shareholder of the company and she is not married in community of property. Therefore, disclosure is not necessary.

Supporting documentation provided:

1. Shareholders certificates of Afren Power Projects (Pty) Ltd.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 17 October 2017

**Auditor's conclusion**

The auditor's takes note of management response, however the exception is still valid.

The legislation does not differentiate between spouses married within or outside of the community of property.

Period	With balance	Description	Reference	Amount
2017/18	2017/18	PRIMARY BANK	2017/18	2017/18
2017/18	2017/18	ACCOUNT	2017/18	2017/18
2017/18	2017/18	PRIMARY BANK	2017/18	2017/18
2017/18	2017/18	ACCOUNT	2017/18	2017/18
2017/18	2017/18	PRIMARY BANK	2017/18	2017/18
2017/18	2017/18	ACCOUNT	2017/18	2017/18

### 3. PROC: VAT excluded from Preferential points calculations (Ex.38)

#### Audit finding

##### Requirement/Limitation:

The Preferential Procurement Policy Framework Act states that "price" includes all applicable taxes less all unconditional discounts.

##### Nature:

We noted that during the recalculation of the Preferential Procurement points that VAT was excluded from the quotation prices for the following:

20/2016

33/2016

34/2016

02/2017

16/2017

17/2017

##### Cause:

VAT was excluded from the calculations.

##### Impact:

This is non-compliance with the Preferential Procurement Policy Framework Act.

#### Internal control deficiency

##### Leadership:

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

##### Recommendation

The accounting officer should ensure that VAT is included in the calculations of the preferential procurement points.

##### Management's response

Management disagrees with the exception raised. The objective of the Supply Chain Policy is to provide an effective system of acquisition that is transparent and promote good governance.

In order to avoid that the suppliers benefit incorrectly from Supply Chain Management processes, all suppliers were assessed on an equal basis. It was found that some suppliers were not registered for VAT in terms of the VAT Act. The VAT portion was therefore deducted from suppliers registered for VAT to promote equality between suppliers in the evaluation process.

The calculation made is therefore not incorrect. The municipality only compares apples with apples. When awarding is done, the award letter is per the quoted amount which is VAT inclusive.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 17 October 2017

##### Auditor's conclusion

The auditors take note of management's response, however the exception is still valid.

The Preferential Procurement Policy Framework Act requires that the price used in the calculations should be included all applicable taxes.



**4. PROC: Bid not advertised for 14 days (Ex.40)****Audit finding****Requirement/Limitation**

The Municipal Supply Chain Management Regulation section 22(1) (b) states:

*"(1) A supply chain management policy must determine the procedure for the invitation of competitive bids, and must stipulate- (b) the information a public advertisement must contain, which must include- (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub regulation (2); and (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality or municipal entity."*

**Nature:**

We confirm that the working for water bid 18/2016 was only advertised for a period of 12 days and not 14 days, as required.

**Cause:**

The bid was only advertised for 12 days.

**Impact:**

This is non-compliance with the Municipal Supply Chain Management Regulation.

**Internal control deficiency****Leadership**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

**Recommendation**

The accounting officer should ensure that bids are advertised for the correct period.

**Management's response**

Management takes note of the exception raised. All other bids were advertised for the correct number of days and therefore this is an isolated event.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 17 October 2017

**Auditor's conclusion**

The finding is still a valid finding as the bid was not advertised for 14 days.



**5. PROC: Prior year irregular expenditure not investigated by council. (EX.67)****Audit finding**

The Municipal Finance Management Act 56 of 2003 section 2 states:

*A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure -*

*(a) in the case of unauthorised expenditure, is -*

*(i) authorised in an adjustments budget;*

*(ii) or certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and*

*(b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.*

**Nature:**

We inspected the prior year management report.

The following transactions took place in the prior financial year where three quotations were not obtained.

Account number / vote	Description	Date	Ref.	Inclusive Amount
1105301093305	LEGAL FEES	20151013	FIN90100029082	8,892
1105301093305	LEGAL FEES	20151030	FIN90100029234	9,063
1105301093305	LEGAL FEES	20160406	FIN90100030652	98,000
1105301093305	LEGAL FEES	20160412	FIN90100030705	2,213
1105301093305	LEGAL FEES	20160519	FIN90100031091	6,100
				<b>124,268</b>

Supplier Name	Amount	Cheque Number
DPD Laser Express Log T/A Time Freight	R5,650.92	28109

We could not obtain evidence that council investigated these instances of irregular expenditure to determine if any person is liable for the expenditure.

**Cause:**

The instances identified were not investigated further by council to determine if any person should be held liable.

**Impact:**

Non-compliance with the MFMA.

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

**Recommendation**

The accounting officer should ensure that irregular expenditure incurred should be investigated by council.

**Management's response**





## 6. PROC: VAT excluded from preference points calculations (EX.79)

### Audit finding

Requirement/Limitation:

The Preferential Procurement Policy Framework Act states that "price" includes all applicable taxes less all unconditional discounts.

### Nature:

We noted that during the recalculation of the Preferential Procurement points that VAT was excluded from the quotation prices for the following:

Bid 03/2017 - Snake awareness.

### Cause:

VAT was excluded from the calculations.

### Impact:

This is non-compliance with the Preferential Procurement Policy Framework Act.

This also resulted in the incorrect bidder receiving the award.

### Internal control deficiency

#### Leadership:

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

### Recommendation

The accounting officer should ensure that VAT is included in the calculations of the preferential procurement points.

### Management's response

Management disagrees with the exception raised. The tenderer Umbono Training was awarded based on the value for money principle. Umbono Training provided live snake presentation whereas Umbuso Training provided awareness training with plastic snakes. Therefore, the adjudication committee changed the recommendation of the evaluation committee based on section 29 of the SCM regulations which allows the adjudication committee to change the evaluation committee proposal.

### Supporting documentation provided:

- 1) Minutes of meeting of 7 April 2017 regarding the Formal Written Quotation 03/2017.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

### Auditor's conclusion

The finding will remain. It is a legislative requirement to include VAT. If VAT was included in this case, the outcome would have been different as per the auditor's testing.



## 7. PROC: Member of the Bid committee was a member of the adjudication committee (EX.80)

### Audit finding

Requirement/Legislation:

The Municipal Supply Chain Management Regulation Act of 2003, section 29(4) states:

*"Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee".*

### Nature:

During the testing of competitive bids we noted the following:

C Jantjies was involved in the adjudication and evaluation meetings of the following tenders:

BVI construction Engineers - 32/2016

Jan de Wee - 18/2016 -E24F1001

Nico Swart Consultancy - 10/2017

Elizabeth Witbooi - 18/2016 - E32E1002

Elizabeth Witbooi - 18/2016 - E32C1001

D Fortuin was involved in the adjudication and evaluation meetings of the following tenders:

Angus Africa - 18/2016 - E32C1003

Hermanus Fortuin - 18/2016 - E32C1002

Johannes Rossouw - 18/2016 - E24F1003

Hilton Strauss - 18/2016 E32A1001

Reagen Petersen - 18/2016 E32A1001

Abraham Joseph - 18/2016 E4081001

Elwida Klaaste - 18/2016 E32E100

Andre Gouws - 18/2016 E24F1002

### Cause:

C Jantjies and D Fortuin attended both the adjudication and evaluation committee meetings.

### Impact:

This is not in accordance with the Municipal Supply Chain Management Act and constitutes irregular expenditure.

This constitutes irregular expenditure of R 5,007,291.

### Internal control deficiency

#### Leadership:

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

### Recommendation

The accounting officer should ensure that the adjudication and evaluation committees are compiled correctly.

### Management's response

Management disagrees with the exception raised. C Jantjies and D Fortuin are ex-officio members that only document the minutes of the meetings. They have no rights / inputs in the decision making of any processes. This the job of the Supply Chain Practitioner and C Jantjies and D Fortuin were acting in this position in different periods of the financial year.

Name: Christiaan Fortuin

Position: Municipal Manager



Date: 31 October 2017

### Auditor's conclusion

The finding will remain. Management should provide evidence that C Jantjies and D Fortuin were only minute takers in the meeting. It should be evidenced that they were not involved in the decision making.



## Receivables

### 8. REC: Receivable balance from the Department of Agriculture, Forestry and Fisheries not impaired (Ex.5)

#### Audit finding

Section 62 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA), states that:

*"(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:*

- (a) that the resources of the municipality are used effectively, efficiently and economically;*
- (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards; in accordance with any prescribed norms and standards,*
- (c) that the municipality has and maintains effective, efficient and transparent systems:*
  - (i) of financial and risk management and internal control; and*
  - (ii) of internal audit operating in accordance with any prescribed norms and standards;"*

In addition section 64 of the MFMA states that:

*"(1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.*

*(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure -*

- (f) that the municipality has and maintains a system of internal control in respect of debtors"*

#### Nature

The Department of Agriculture, Forestry and Fisheries have not settled their outstanding balance as per agreement with the Municipality. It was also noted that the Department is disputing certain costs incurred.

No provision was made by the municipality for bad debt, the total outstanding balance at year end was R 19,226,349.

On-going monitoring and supervision are not undertaken to enable management to determine whether internal control over other receivables is present and functioning.

#### Impact:

Possible misstatement of receivables as disclosed in the annual financial statements.

#### Internal control deficiency

##### Leadership

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls is not exercised.

#### Recommendation

Management should consider impairing the receivable balance.

#### Management's response

Management disagrees with the exception raised.



The Namakwa District Municipality must prepare their annual financial statements in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

GRAP 104.57 states that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortized cost) to determine the amount of any impairment loss.

GRAP 104.58 states that a financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Management performed an assessment and concluded that there is no objective evidence for impairment, as supporting evidence indicates that the Department of Agriculture, Forestry and Fisheries are willingly to settle their outstanding amount, once internal SCM processes are completed.

Management assessment are based on the following:

- No concession was granted to the Department of Agriculture, Forestry and Fisheries;
- There is no indication that the Department of Agriculture, Forestry and Fisheries will enter sequestration or other financial reorganisation, as it is a state department;
- There is no significant financial difficulty as the debtor is the Department of Agriculture, Forestry and Fisheries and funds to an amount of R74 815 313 was allocated to this project. The minister of Agriculture, Forestry and Fisheries also indicated in a National Council of Provinces meeting on 27 October 2016 in

Parliament that the funding is available to pay outstanding invoices, once SCM processes are completed. The Department of Agriculture, Forestry and Fisheries also documented in their Progress Reports that they will pay all outstanding payments to Namakwa District Municipality;

- Payment was approved by Mrs. Sue Middleton, Chief Director at DAFF, indicating that she certified the invoice as correct for payment in terms of section 45 of the PFMA. However Mrs. Middleton do no longer work in the section dealing with this contract. Newly appointed staff would like verify the outstanding invoices with detailed supporting documentation. A prioritised table of items disclosed on the invoice was received from the Mr Desmond Marinus, Programme Manager: Working for Fisheries Programme on 11 August 2017. The prioritised table of items indicates which items on the invoices provided to the DAFF, DAFF would like to verify first. Namakwa District Municipality welcomes this process and has already provided the detailed supporting documentation to DAFF. DAFF is not disputing any of the costs incurred. Due to the current emphasis place on fraud and corruption, DAFF is only verifying the invoices with detailed supporting documentation. All other invoices provided in the past to DAFF has been fully paid. Based on the above assessment, there is no objective evidence of impairment.

Supporting documentation provided:

- 1) The debt impairment assessment as per GRAP 104 which was already requested in request of information 10 of 2017.
- 2) Extract of meeting of National Council of Provinces on 27 October 2016.
- 3) Invoice approved by Chief Director for payment in terms of section 45 of PFMA.
- 4) E-mail from Mr Desmond Marinus, Programme Manager: Working for Fisheries Programme on 11 August 2017, containing table of priorities to verify amounts on invoices with detailed supporting documentation to target "quick wins".

Name: Christiaan Fortuin





Position: Municipal Manager

Date: 20 September 2017

### Auditor's conclusion

The concept of objective evidence is broad and the list of indicators noted in paragraph 58 in GRAP 104 is not exhaustive.

The auditor confirms that objective evidence does exist, based on the following rationale:

- The project has been halted in 2016, based on non-performance by DAFF. No payments have been received from DAFF since 2014. As we are auditing the 2017 year of assessment, it is evident that a lack of performance by DAFF is objective evidence that questions the collectability of the funds. The time lapse of the debt outstanding is a critical factor.
- We are unable to confirm the balance directly from DAFF in a form of a confirmation.
- In the minutes of National Council of Provinces, Unrevised Hansard, dated 27/10/2016, the verification process is acknowledged. However, the amount of the debt is not acknowledged. DAFF requires verification of the entire balance and this in itself questions the balance of the debt as there is a risk that DAFF will not acknowledge the full amount as disclosed in the annual financial statements.
- In management's assessment for the provision for bad debt, management has not considered a monetary value. I.e. how much is recoverable. There is a known dispute between DAFF and the municipality and this is objective evidence.
- The business plan detailing the monetary spend was not approved by the Department.
- We have no comfort beyond reasonable doubt that the debt will be settled by DAFF.



**9. REC: Debtors sub-ledger does not add up to final debtors age-analysis (Ex.49)****Audit finding**

Requirement/Limitation:

The Municipal Finance Management Act section 62(1) (c) (i) states:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

**Nature:**

Through the testing procedures performed on accounts receivable we identified the following difference between the debtor's sub-ledger and the age analysis as obtained from management:

Balance as per debtors age analysis	1,312,855.20
Balance as per the trial balance and AFS	1,806,318.04
Difference	493,462.84

Management furnished us with a reconciliation between the trial balance and financial statements, we were however not able to confirm whether the following reconciling items is valid, and could not determine if there is any adjustment necessary to the debtor balance in the AFS:

Debtors Number	Item description of reconciling list	Amount as per reconciling list
9000052150117	Journal on Billing: Office Rental	24,409.81
9000052150114	Sundry payment made - F Holland	165.51
9000052150108	Journal 212 - Payment received - A Carlson	(9,000.00)
9000052150108	Payments received - J Magerman	(5,252.80)
9000052150108	Payment received via Payday deductions - 15/16	(110,679.79)
9000052150108	Payment received via Payday deductions - 16/17	(174,156.42)
9000052150108	Sundry payment made - F Holland	314.49
9000052150108	Offset rental deposit against debt - L Lourens	(972.29)
Total reconciling items		(275,171.49)

**Cause:**

The debtor's sub-ledger has reconciling items which have not been correctly accounted for on the age analysis as at year end.

**Impact:**

This could result in the misstatement of accounts receivable.

**Internal control deficiency****Leadership:**

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

**Recommendation**

Management must ensure that the final debtor's sub-ledger agrees to the debtor's age analysis at year end.



### Management's response

Management disagrees with the exception raised. The debtors age analysis can only be printed on 30 June 2017. Subsequent corrections are made via journals and will not reflect on the age analysis. Therefore, reconciliation between the age analysis and the general ledger was required. Kindly note that sundry debtors are not included on the age analysis.

Management provided the audit team member, Thato Magakwe, with a clear breakdown of the other receivables balance as well as a reconciliation explaining the reconciling items. Supporting documentation for all reconciling items was also provided. Therefore, we do not agree that the validity of the reconciling items could not be determined.

In conclusion there is no misstatement of the accounts receivable balance in the Annual Financial Statement.

### Supporting documentation provided:

- 1) Breakdown of other receivables as per the AFS.
- 2) Debtor's age analysis reconciliation clearing explaining the difference per the aging report and the general ledger balance for the receivables from billing debtors as well as non-billing debtors.
- 3) Supporting documentation for all the reconciling items as well as supporting documentation for the non-billing debtors as indicated in the reconciliation.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

### Auditor's conclusion

Management response has been noted, however the finding remains due to the following reasons: Through inspection of the information provided and the general ledger we noted that the reconciling items are not reflected in the balances as per the GL, thus the differences between the sub-ledger and the GL still remains.

## Revenue

### 10. REV: Budget not signed by the Department of Agriculture, Forestry and Fisheries (Ex.68)

#### Audit finding

Requirement/Legislation:

The Municipal Finance Management Act section 62(1) (i) states:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

#### Nature:

Through testing performed on agency income, it is confirmed that the business plan and budget was not approved by the Department of Agriculture, Forestry and Fisheries before the work started.

The municipality continued with the project before the necessary approvals were obtained.

#### Cause:

Management did not ensure that the business plan was signed by the Department.

#### Impact:

Non-compliance with the MFMA.

#### Internal control deficiency

##### Leadership:

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

#### Recommendation

Management should ensure that all proper processes are followed and that documentation is signed before continuing to work on a project.

#### Management's response

Management disagrees with the exception raised. During the process of the consolidation of the 3 projects into 1 project, a budget of R 74 815 313.00 was approved by the Department Agriculture, Forestry and Fisheries. This approval was given by the then Director General, Professor Edith Vries.

#### Supporting documentation provided:

- 1) Department Submission to the Director General – Refer to page 3 for the budget amount and page 5 for the relevant approval.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 31 October 2017



## Auditor's conclusion

The business plan was not approved by the implementer (as per the contract paragraph 4.6 and 4.7). The finding will remain.

## ANNEXURE B: OTHER IMPORTANT MATTERS

### Cash and cash equivalents

#### 11. CASH: Impairment of Nuweveld investment account (Ex.33)

##### Audit finding

##### Requirement

In terms of the municipal finance management act 56 of 2003, The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

##### Nature

The entity holds an investment in Nuweveld Co-op to the value of R1, 146. We inspected the confirmation received from Nuweveld and the entity itself is of the opinion that the entity is likely to be liquidated. It is further stated that the municipality may not be able to recover its investment. As a result of the above, the investment should have been impaired as at 30 June 2017.

##### Cause

The possible liquidation of Nuweveld Co-Op has questioned the recoverability of the investment

##### Impact

Investments are currently overstated as per the annual financial statements and impairment expenses is understated.

##### Internal control deficiency

##### Financial and performance management

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

##### Recommendation

The accounting officer should ensure that unrecoverable amounts are written off. The investment in Nuweveld Co-Op should be impaired.

##### Management's response

Management takes note of the exception raised. Management will consider the impairment if adjustment to the AFS is deemed necessary. It is noted that the amount is immaterial.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 24 October 2017

##### Auditor's conclusion

Management agrees with the exception. The finding will thus remain and will be reported on



**12. CASH: exceptions on the bank reconciliation (Ex.32)****Audit finding****Requirement/Legislation:**

In terms of section 62 of the Municipal Finance Management Act 56 of 2003:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;"*

**Nature**

The following two issues were identified during bank reconciliation testing:

- 1) Two receipts reflected on the Nedbank bank statement for April 2017 were never recorded. These items should not still be reconciling items at year end  
Details of the entries are as follows:

Date	Transaction	Amount
26/04/2017	ABSA BANK 900015 FB Claasen	1,245.00
26/04/2017	ABSA BANK 900015 AU Claasen	1,528.00
		2,773.00

- 2) The general ledger balance for the Nedbank account does not agree to the book balance used in the bank reconciliation. This indicated to us that the general ledger is incomplete at year end. Details are as follows:

Vote nr	Name	Balance as per GL/AFS	Book balance as per recon	Difference
9000052170004	PRIMARY BANK ACCOUNT (NEDBANK)	568,574.64	570374.64	1,800.00

**Cause**

- 1) Due to a change in bank accounts, the functions used to record transactions on cash drawer subsequently changed. The entity has experienced a problem in recording the two highlighted transactions.

- 2) A transaction processed in the cashbook was not yet processed in the general ledger

**Impact:**

Contravention of section 62 of Municipal Finance Management Act 56 of 2003.

The accuracy, valuation and allocation of cash and cash equivalents is misstated by a total amount of R4, 573.00.

**Internal control deficiency****Financial and performance management**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.



**Recommendation**

The accounting officer should ensure that all amounts appearing on the bank statement are timeously recorded and that the amounts reflected in the general ledger reflect the latest available information.

**Management's response**

Management partially disagrees with the exceptions raised. Please see responses below:

1. Management disagrees with the exception raised. The 2 amounts referred to are part of the bank reconciliation for the month ended 30 June 2017. Nothing prohibits the municipality to have reconciling items on the bank reconciliation. These items appeared on the bank statement of 26 April 2017, therefore not long outstanding.
2. Management takes note of the exception raised. However, it is important to take note that due to a financial system error by Venus, the amount was not allocated to the bank in the ledger, but directly allocated to the debtor account (Account number 900046). After contacting the system service provider, it was subsequently allocated on 10/07/2017. Therefore this is an isolated event.

**Supporting documentation provided:**

1. Bank reconciliation for June 2017 which show the items as reconciling items.
2. Proof of debtor account 900046 and communication with the system service provider in order to resolve the issue.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

**Auditor's conclusion**

The exception comprises of two different amounts. These were separately evaluated as follows:

1. Unrecorded amount R2773 - The finding will remain because the transaction was not recorded as it appears on the bank statement however it is not on the GL. Thus the GL is not complete.
2. Difference of R1800 between the general ledger and bank reconciliation - Management agrees with this part of exception. The finding will thus remain and will be reported on.



**13. CASH: Unrecorded interest at year end (EX.58)****Audit finding****Requirement/Legislation:**

In terms of section 62 of the Municipal Finance Management Act 56 of 2003:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;"*

**Nature**

Interest earned on the investment call accounts was not recorded for the month ended 30 June 2017. Refer to the following table indicating the differences between the general ledger and Annual Financial Statements for the call accounts:

Account Name	Balance per GL	Balance per bank statement	Difference (Interest income)
Civil Defence Grant - Near Grant	472,143.77	475,612.28	3,468.51
DAFF: Port Nolloth Harbour /Fishing Processing	3,220.25	3,235.78	15.53
Elektroniese liasseerstelsel	4,797.57	4,820.71	23.14
EPWP	288,570.76	292,116.47	3,545.71
Finance Management Grant	1,296.90	1,599.33	302.43
Fire Equipment Grant	47,188.58	47,416.21	227.63
Grensomheining	54,239.21	54,500.85	261.64
Integrated Development Plan Fund	2,000.56	2,022.62	22.06
Kapitaalontwikkelingsfonds	16,651.14	16,739.57	88.43
Municipal System Improvement Grant	1,358.52	1,441.02	82.50
Opleidingsfonds SETA	3,841.51	3,860.04	18.53
PIMS	2,255.11	2,265.99	10.88
Swartzkop Sportsgronde	16,565.00	16,644.91	79.91
Verlofreserwefonds	903,280.43	907,637.64	4,357.21
Werk vir Water	24,357.30	24,357.30	-
Rural Roads asset management	1,345,869.77	1,353,579.47	7,709.70
Aanvraagdeposito	648,962.55	650,935.46	1,972.91
Khotso Pula Nala	891,778.91	899,570.96	7,792.05
			29,978.77

**Cause**

Interest income was not accounted for at year end

**Impact**

Contravention of the Municipal Finance Management Act section 62.

In addition, Bank and Cash, as well as the interest from external investments, are both understated by R29, 978.77.



**Internal control deficiency****Financial Management**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

**Recommendation**

Management should record the interest earned at year end for all the call deposit accounts

**Management's response**

Management disagrees with the exception raised. The accrued interest of June 2017 was raised as receivable by Journal 266 for the amount of R 29978.77. This is recorded in the general ledger under vote 9000052150125.

**Supporting documentation provided:**

1. Journal 266 indicating that accrued interest for June 2017 was raised.
2. General ledger extract of vote 9000052150125 showing the recording of the transaction in the general ledger.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 24 October 2017

**Auditor's conclusion**

The audit team takes note of managements' response.

After careful evaluation of the support and journal presented to us, we acknowledge that the interest income was correctly recognized. We however, disagree with managements' decision to recognize a *receivable* in respect of *accrued interest* at year end. According to the investment account bank statements that we evaluated, the interest income has been received at year end and the bank balance as per the general ledger should reflect this balance.

As a result of the above, *Cash and cash equivalents* is understated by R 29,978.77 while *Other Receivables* is overstated by the same amount.



**Employee costs****14. EMP: Incomplete employee files (Ex.28)****Audit finding****Requirement/Legislation:**

The Municipal Systems Act section 67(1) (a) states:

*"A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including the recruitment, selection and appointment of persons as staff members."*

**Nature:**

The employee file of the newly appointed employee on the table below did not contain the employee's background check results and the code of conduct:

Employee name	Employee number	Appointment date	New Post appointed	Dismissed (Background check) performed	Code of Conduct included in the file
JULIUS E	1417	08/05/2017	LED PRAKTISYN	No	No

**Cause:**

The necessary controls were not implemented.

**Impact:**

This result in the potential employment of individuals not fit to meet the demands and requirements of their required job descriptions, and not abiding to the code of conduct as it was not provided.

**Internal control deficiency****Leadership**

Management did not develop and monitor the implementation of action plans to address internal control deficiencies.

**Recommendation**

The accounting officer should ensure that background checks are performed for all appointments, that the employee gets a job description and ensure that the employee signs the code of conduct.

**Management's response**

Management disagrees with the exception raised. Please see responses below:

1. DG Cloete - The job description was filed in a separate file and not in the employee file. Please see attached supporting documentation.
2. D Jacobs - The job description was filed in a separate file and not in the employee file. Please see attached supporting documentation.
3. E Julius – The job description was filed in a separate file and not in the employee file. The employee was headhunted and appointed specifically for the arrangements of the Small Harbour and Mining Indaba for 2 months ending 30 June 2017. Mr E Julius used to work at Department of Economic Affairs and was stationed at our office. Telephonic check was done with previous employer.
4. C Boois - The job description was filed in a separate file and not in the employee file. Please see attached supporting documentation.



Supporting documentation provided:

1. The job description of DG Cloete;
2. The job description of D Jacobs;
3. The job description, fixed term contract and code of conduct of Mr E Julius;
4. The job description of C Boois;

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

**Auditor's conclusion**

All Job description issues are cleared as we were furnished with the necessary support and it is deemed to be appropriate.

**3. Background Check & Code of Conduct Findings**

E Julius:

Background check: Telephonic check does not have a valid audit trail, therefore the finding will remain

Code of conduct: The finding will remain as the code of conduct was not included in the file

Employee	Employee number	Date of Termination	Date of resignation
BRITTE GLE	1170	04/07/18	04/07/18
ALYCE	1182	31/10/2017	02/10/2017



**15. EMP: Termination notice period (Ex.31)****Audit finding****Requirement/Legislation:**

The Basic Conditions of Employment Act section 37(1) states:

*"(1) Subject to section 38, a contract of employment terminable at the instance of a party to the contract may be terminated only on notice of not less than—*

*(a) one week, if the employee has been employed for six months or less;*

*(b) two weeks, if the employee has been employed for more than six months but not more than one year;*

*(c) four weeks, if the employee—*

*(i) Has been employed for one year or more; or*

*(ii) Is a farm worker or domestic worker who has been employed for more than six months."*

**Nature:**

Upon resignation from their municipal duties, the following employees did not serve their notice periods and are thus in contravention of their employment contracts that requires employees that were under service for more than a year to work a four week notice:

Employee	Employee number	Date of Termination	Date of resignation letter
GREEFF G A F	1176	04/07/2016	04/07/2016
ALLEY PP	1402	31/10/2016	03/10/2016

**Cause:**

The municipality did not enforce the notice period.

**Impact:**

This may result in non-compliance with the Basic Conditions of Employment Act.

**Internal control deficiency****Financial and performance management**

Management did not review and monitor compliance with applicable laws and regulations.

**Recommendation**

The accounting officer should ensure that the notice period as required by the Basic Conditions of Employment Act is adhered to.

**Management's response**

Management disagrees with the exception raised. Please see response below:

- 1) GAF Greeff and P Alley— These employees resigned due to other employee opportunity which required them to start immediately. Mutual agreement was reached between the employees and the accounting officer to be released without the four week notice period. They were only paid for actual days worked up until the date of resignation.
- 2) A Rooi – This employee was elected as a Councillor at the Khai-Ma Municipality and was therefore resigned with immediate effect as per the Cooperative Governance Circular 29 of 2016. Please refer to point 3. 1(ii) of the Circular.

**Supporting documentation provided:**

- 1) Cooperative Governance Circular 29 of 2016.



Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

### Auditor's conclusion

The finding for A Rooi is cleared as the employee resigned with immediate effect as per the Cooperative Governance Circular 29 of 2016 (3.1)(ii)

However the findings for GAF Greef and P Alley will remain, as no deviation from the stipulated agreement was signed stating that a mutual agreement was reached between the employees and the accounting officer.



## Predetermined objectives

### 16. AOPO: Underachieved target with no remedial action taken (Ex.24)

#### Audit finding

##### Requirement/Legislation:

Section 46 of the Municipal Systems Act 32 of 2000 states the following:

*"(1) a municipality must prepare for each financial year a performance report reflecting:*

- (a) The performance of the municipality and of each external service provider during that financial year*
- (b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
- (c) Measures taken to improve performance.*

*(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act"*

#### Nature:

Through inspection of the annual performance report we noted the following under performance indicators:

- FTE's that were planned to be achieved by refurbishing the municipal accommodation and tourism walkways were under achieved. 27 FTE's were planned but only 22 were achieved. This was clearly noted in the annual performance report, however no remedial action was noted to improve on the performance of the target.
- Person days that were created for the working for water project. The target was for 38,000 days however only 30,440 days were created. The remedial action noted in the annual performance report is that the outstanding projects should be cancelled. This is not deemed to be a suitable and reasonable remedial action.
- Number of hectares of alien vegetation to be cleared. The target was for 14,000 hectares however only 10,159 hectares were cleared. The remedial action noted in the annual performance report is that the outstanding projects should be cancelled. This is not deemed to be a suitable and reasonable remedial action.
- Arrange the Mathematics award ceremony and arrange the top 5 schools and top 10 learner's awards. The events were not held and the remedial action is noted as the program was postponed. The remedial action noted does not address why the events did not happen or the measures taken to improve on achieving the target.

#### Cause:

Management did not assess the remedial action required in order to improve on the performance of the indicator.

#### Impact:

This is non-compliance with the Municipal Systems Act 32 of 2000

#### Internal control deficiency

##### Leadership

Management did not develop and monitor the implementation of action plans to address internal control deficiencies.

## Recommendation

Management should ensure that where an under performance or under achievement is noted, remedial action is taken to address the underperformance. The remedial action should also underline measures to be taken to improve performance.

## Management's response

Management takes note of the exception raised. The necessary adjustments and remedial actions to the Annual Performance Report were done. The adjusted APR is attached.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

## Auditor's conclusion

Management's responses are noted and the finding has been cleared.

The finding will be transferred to other important matters.



## **17. AOPO: Reporting in the APR is inconsistent with the evidence submitted (Ex.25)**

### **Audit Finding**

#### **Requirement/Legislation:**

Section 46 of the Municipal Systems Act 32 of 2000 states the following:

*"(1) a municipality must prepare for each financial year a performance report reflecting:*

*a) the performance of the municipality and of each external service provider during that financial year."*

#### **Nature:**

Through testing performed on the reported achievements of targets, the following inconsistencies were noted:

- Meetings were to be coordinated for the disability forum, however the forum was not established thus resulting in no meetings for the forum. The evidence reported is that 2 meetings were held. Sufficient evidence could not be obtained to verify and substantiate that the meetings were in fact held and that they relate to the forum.
- Meetings were to be coordinated for the moral regeneration forum, however the forum was not established thus resulting in no meetings for the forum. The evidence reported is that 2 meetings were held. Sufficient evidence could not be obtained to verify and substantiate that the meetings were in fact held and that they relate to the forum.
- The indicators for the Estuary plans and the Municipal Health service plans stipulate that the plans should be submitted to council. However no evidence could be obtained to substantiate and support the submission to council thus these indicators were not achieved however they have been reported as achieved.

#### **Cause:**

Failure to ensure that evidence submitted is corroborated with what the indicator requires or stipulates.

#### **Impact:**

Reporting done in the annual performance report is inaccurate and inconsistent.  
Non-compliance with the Municipal Systems Act.

#### **Internal control deficiency**

##### **Financial and performance management:**

Management failed to implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

#### **Recommendation:**

Management should ensure that the reported evidence is supported and substantiated so that reporting can be done accurately.

#### **Management response:**

Management takes note of the exception raised. The necessary adjustments and remedial actions to the Annual Performance Report were done. The adjusted APR is attached.

Name: Christiaan Fortuin

Position: Municipal Manager







## 18. AOPO: Completeness of indicators cannot be confirmed( EX.44)

### Audit finding

#### Requirement/Legislation:

As per the Municipal Systems Act 32 of 2000 and Regulation 796 of 24 August 2001: Local Government: Municipal planning and Performance management regulations, 2001:

*"9. Setting of key performance indicators.-*

*(1) (a) A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26 (c) of the Act.*

*(b) A key performance indicator must be measurable, relevant, objective and precise."*

#### Nature:

Through testing performed on the performance information the following was noted:

- The ARV party: The indicator only specifies that an ARV party should be held, however through testing the indicator we noted that there was no plan detailing the budget and expenditure attached to the indicator thus making it difficult to confirm the completeness of the information presented for testing. Therefore, the indicator cannot be deemed to be specific and measurable.

- Drama Roadshow: No budget nor plan could be obtained outlining the plan and the total expenditure to be spent. No breakdown of expenditure could be obtained thus the completeness of the information and the indicator could not be confirmed. Therefore, the indicator cannot be deemed to be specific and measurable.

- Support Community based organisation: No listing could be obtained of the community based organisations that were supported and no formal letter was furnished where the support to be given is approved and authorised. We cannot confirm the completeness of the reported information.

#### Cause:

The indicators are not specific and there is no outline of the expenditure or cost per indicator.

#### Impact:

This results in inconsistencies in the reported information.

The indicator and reported performance is not deemed to be complete.

#### Internal control deficiency

##### Financial and performance management

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

#### Recommendation

Management should ensure that for indicators, a breakdown of expenditure and cost is available. A plan or budget must be available in order to measure performance against this to ensure that the information reported on is accurate, complete and in line with what has been planned.

This will assist in identifying deficiencies and weaknesses and also curb inaccurate and incomplete record keeping.

**Management's response**

Management takes note of the exception raised. Management will implement the recommendation made by the auditors. See attached documentation regarding the ARV function.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

Management's response is noted and the exception will remain as no information was provided to confirm the completeness of the indicators. Thus the finding is still valid.





## 19. AOPO: Insufficient information to confirm indicator ( EX.45)

### Audit finding

#### Requirement/Legislation:

Section 46 of the Municipal Systems Act 32 of 2000 States:

*"(1) a municipality must prepare for each financial year a performance report reflecting:  
a) the performance of the municipality and of each external service provider during that financial year."*

#### Nature:

Through testing of the District Aids council it can be noted that we have not been furnished with information to confirm the indicator. We have received the District Aids council report and received minutes of the meeting held on the 26 Sept 2016 and 30 March 2017 only. We have not received any signed attendance registers for all 4 meetings as per the reported indicator.

#### Cause:

Insufficient information provided by management in order to complete the testing.

#### Impact:

The indicator cannot be confirmed. This results in non-compliance with the Municipal Systems Act 32 of 2000.

### Internal control deficiency

#### Financial and performance management

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

### Recommendation

Management should ensure that information is available to confirm the indicators reported. Furthermore the information uploaded in Ignite should be relevant to the indicator and should be able to prove that the indicator has been performed.

### Management's response

Management takes note of the exception raised and will implement the recommendation given by the auditors. Further information was provided to the auditor for the indicator.

The SDBIP target for 2016/2017 is 4 District Aids Council meetings. Due to logistical reasons (e.g. distances) and cost containment, as well as to get sufficient representation at different meetings, certain meetings are scheduled to follow one after another.

The District Aids Council meetings were therefore schedule after the District Political IGR Forums. The Mayors and Municipal Managers of the different municipalities are members of both the Political Forum and District Aids Council.

When the IGR Forums are completed other members (Civil Society) join the meeting for the Aids Council. The attendance registers for the Political IGR and the Civil Society (that joined the meeting) are therefore the Aids Council attendance register.

If the latter is not possible the District Aids Council meetings are combined with other District forums meetings or initiatives and therefore will the attendance register of the meeting held during December 2017 read as World Aids Day (Mandela Memorial) instead of District Aids Council. Documentation in this regard is attached.

The APR indicated that 4 meetings were held but the March meeting was postponed to a next date and at that date a quorum was not available. The target of 4 meetings was therefore not reached as only 3 meetings were effectively held and 1 meeting was eventually postponed.



The necessary adjustments to the Annual Performance Report will be done to change the meetings from 4 District Aids Council meetings to 3 District Aids Council meetings held. Attached as Annexure A-D is documentation for September 2016. Attached as Annexure E-H is documentation for December 2016. Attached as Annexure I is documentation for March 2017. Attached as Annexure J-M is documentation for June 2017. Amended Annual Performance Report, 2016 – 2017.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

#### Auditor's conclusion

Management's responses are noted and the finding has been cleared.  
The finding will be transferred to other matters.

Planned	
Planned hectares as per APR	14 000
Planned hectares as per support	14 101
Difference	-101
Actuals	
Hectares recorded as per APR	10 158
Hectares per excel sheet	2 024
Difference	170
Working for Water	
Planned	
Planned days as per APR	25 000
Planned days as per support	25 640
Difference	640
Actuals	
Work days recorded as per APR	20 140
Work days per excel sheet	25 718
Difference	-5 578



## 20. AOPO: Working for water (person days and alien vegetation) reporting inconsistencies noted (EX.55)

### Audit finding

Requirement/Legislation:

Section 46 of the Municipal Systems Act 32 of 2000 States:

*"(1) a municipality must prepare for each financial year a performance report reflecting:*

*a) the performance of the municipality and of each external service provider during that financial year."*

### Nature:

Through testing performed on the person days created in terms of the working for water and the alien vegetation projects, the following differences were noted in the information submitted for testing:

Hectares cleared of alien vegetation	
Planned	
Planned hectares as per APR	14,000
Planned hectares as per support	14,391
Difference	-391
Actuals	
Hectares recorded as per APR	10,159
Hectares per excel sheet	9,984
Difference	176
Working for Water	
Planned	
Planned days as per APR	38,000
Planned days as per support	38,640
Difference	-640
Actuals	
Work days recorded as per APR	30,440
Work days per support	32,719
Difference	-2,279

Actuals	
Work days recorded as per APR	30,440
Work days per excel sheet	32,719
Difference	-2,279

**Cause:**

The evidence submitted for the indicators do not agree to the reported figures as per the annual performance report.

**Impact:**

The reported figures as per the annual performance report are not accurate and complete.  
Non-compliance with the Municipal Systems Act 32 of 2000

**Internal control deficiency****Financial and performance management:**

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

**Recommendation**

Management should ensure that accurate records are kept for reported performance objectives.  
Management should ensure that they have documents that corroborate the evidence reported on.

**Management's response**

Management takes note of the exception raised. The necessary adjustments to the Annual Performance Report were done. Please note the adjustments were done only on the actuals as the planned targets cannot be changed. The adjusted APR is attached.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

**Auditor's conclusion**

Management's responses are noted and the finding has been cleared.  
The finding will be transferred to other matters.



## 21. AOPO: Inconsistencies in reporting on the APR and Actuals ( EX .56)

### Audit finding

#### Requirement:

The Municipal Systems Act States:

*"46. Annual performance reports.*

*(1) A municipality must prepare for each financial year a performance report reflecting:*

*a) the performance of the municipality and of each external service provider during that financial year."*

#### Nature:

Through testing of the monthly samples taken for bacterial and chemical levels of water and the environmental education initiatives the following differences were noted in the report (MHS Operational plan 2016/2017) and what was reported in the annual performance report:

Monthly bacterial and chemical water level samples:

Actual targets reported as per APR	1,178
------------------------------------	-------

Actual target as per Municipal Health service plans	1,203
---	-------

Difference	-25
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Environmental education initiative:

Actual targets reported as per APR	95
------------------------------------	----

Actual target as per Municipal Health service plan	127
--	-----

Difference	-32
------------	-----

Differences were also noted on what was reported on the budget allocation relating to the refurbishment of municipal accommodation and tourism walkways:

Actual expenses percentage as per APR	90%	733,991
---------------------------------------	-----	---------

Actual expenses percentage as per final report	100%	820,137
--	------	---------

Difference	11%	86,145
------------	-----	--------

Difference noted in what was reported in terms of the community organisations:

Actual organisations supported as per APR:	6
--	---

Actual organisations supported as per support obtained:	13
---	----

Through testing of the Northern Cape Fishing Harbours it was noted that as per reporting on the APR expenditure worth R 4 936 066. Through testing of the expenditure we noted that R 4 178 588 related to the payment of the creditor and it is not an actual expense. Thus the indicator must be adjusted to reflect actual expenditure.

**Cause:**

The evidence submitted for the indicators cannot does not agree to the reported figures as per the annual performance report.

**Impact:**

The reported figures as per the annual performance report are not accurate and complete.

**Internal control deficiency**

**Financial and performance management**

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

**Recommendation**

Management should ensure that accurate records are kept for reported performance objectives. Management should ensure that they have documents that corroborate the evidence reported on.

**Management's response**

Management takes note of the exception raised. The necessary adjustments to the Annual Performance Report were done. Please note the adjustments were done only on the actuals as the planned targets cannot be changed. The adjusted APR is attached.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

Management's responses are noted and the changes on the annual performance report were confirmed.

The finding will be transferred to other important matters.



## 22. AOPO: Inconsistency in HIV/AIDS indicator (Ex.57)

### Audit finding

#### Requirement:

The Municipal Systems Act No 32 of 2000, paragraph 46 states:

*"(1) A municipality must prepare for each financial year a performance report reflecting:*  
*a) the performance of the municipality and of each external service provider during that financial year."*

#### Nature:

Through testing of the indicator noted as the HIV/Aids grant, the following exceptions were noted:

- The description of the indicator is not accurate as it indicates that this is a conditional grant however through inspection of the supporting documentation it was noted that this relates to money that was donated to the District Aids council and it was to be fully utilized by 31 March 2017.
- The money donated was not fully utilized, however there is no reporting to the Department of Health with regards to this and a direction as to what should be done with the money left over.
- The reporting of the indicator shows that 99% of the money was utilized but through recalculation and the information submitted it was confirmed that only 81% of the money was utilized.

#### Cause:

The evidence submitted for the indicators does not agree to the reported figures as per the annual performance report.

#### Impact:

The reported figures as per the annual performance report are not accurate and complete. This may result in non-compliance with the Municipal Systems Act.

#### Internal control deficiency

##### Financial and performance management:

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

#### Recommendation

Management should ensure that accurate records are kept for reported performance objectives. Management should ensure that they have documents that corroborate the evidence reported on.

#### Management's response

Management takes note of the exception raised. The necessary adjustments to the Annual Performance Report were done. This is no requirement to request for a rollover and remaining funds will still be utilised for the HIV/AIDS in future. Adjusted APR is attached.

The calculation on the expenditure will be adjusted to 86,3%. See below details on calculation.

$R\ 202\ 000 + R99\ 970.08 = R\ 301\ 970.08 / R350\ 000 = 86,3\%$

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

### Auditor's conclusion

Management's responses are noted and the changes on the APR was confirmed.  
The finding will be transferred to other matters.





**General IT controls****23. INTCNTRL: IT Policies requirements and approval (Ex.4)****Audit finding****Legislation/Requirement**

Section 67 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) states that:

*"A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1)(c), to ensure fair, efficient, effective and transparent personnel administration."*

Section 62(1)(c)(i) of the MFMA states that:

*"the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

**Nature**

IT governance framework should include the following as a minimum which they don't have:

- Accountability structures for IT
- IT governance processes
- IT reporting structures
- IT policies and procedures
- IT compliance
- IT Controls and risk mitigation
- Information security management practices
- Business and disaster recovery
- Information technology strategy as part of the strategic business planning process
- Project management principles
- IT benefits realisation processes
- IT value and performance measurement processes
- IT acquisition and disposal processes

IT security policy should include as a minimum the following which they don't have:

- Roles and responsibilities
- Security awareness and training
- Enforcement procedures
- Evidence of, or requirement for reviewing the policies, should there be changes in the environment / or based on the change in the level of risk of the entity.
- Security of the application by the use of antivirus software.

- A process to ensure that updates of all systems are up to date (i.e. patch management process)
- Password and authentication configuration settings
- Management of privileged users

IT backup strategy should include as a minimum the following which they don't have:

- Backup window (time available each day to complete backups)
- Back restoration process
- On and off-site requirements
- Archival requirements
- Special media considerations

Furthermore through assessment of the following SLA's:

- BCX and

-Ignite

The following were noted:

The SLA should include as a minimum the following which they don't have:

- Calculation of charges and penalties
- Quantifiable minimum service level and level of support from information services function
- Availability of the person/s responsible for delivering the service (turnaround time); reliability of service, capacity for growth.
- Change procedure for any portion of agreement
- Continuity planning in place for the person/s responsible for delivering the service not being available
- Security requirements for the person/s responsible for delivering the service
- Effective period and new period review/renewal/non-renewal
- Ensure that a process is in place for the monitoring of the service delivery to ensure adherence to the defined service levels by obtaining the minutes of meeting held between the vendor and management.

#### **Cause**

The IT Policies were not reviewed and assessed accurately.

#### **Impact**

This could result in the potential loss of data or security breaches.

#### **Internal control deficiency**

##### **Leadership**

Management did not establish an IT governance framework that supports and enables the business, delivers value and improves performance.



### **Recommendation**

Management should ensure that the IT policies have the following minimum requirements so that the policies are complete and accurate.

### **Management's response**

Management partially disagrees with the exception raised. In terms of the IT Governance Framework, all of the items listed in the exception are included in the Standard Operating Procedures of IT which was provided to the audit team under RFI

In terms of the shortcoming with regard to the service level agreement, management agrees with the exception and will discuss with the relevant service providers as to the changes necessary.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 20 September 2017

### **Auditor's conclusion**

IT Governance Framework:

The finding will remain and it will be reported on. The IT Governance Framework itself, does not include the listed items. The Standard Operating Procedures is separable from the IT Governance Framework.

IT Policies:

The finding will remain, and it will be reported on. The IT Security policy does not address the above-mentioned issues. Management has not specifically responded to this in the management response.

Back-up strategy:

The finding will remain, and it will be reported on. Management has not specifically responded to this in the management response.

SLA's:

Management agrees with the finding, and thus it will be reported on.

Review of IT policy:

The finding will remain and be reported on. Management has not responded to this in the management response.



**Internal Control****24. INTCNTRL -Outdated declaration of interest (Ex.8)****Audit finding****Legislation/Requirement**

The MFMA Act 56 of 2003, paragraph 62 (1) (b) and (c) states the following:

*“General financial management functions.—(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—*

*(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;*

*(c) that the municipality has and maintains effective, efficient and transparent systems— of financial and risk management and internal control;”*

**Nature:**

The accounting officer should take reasonable steps to ensure that the municipality has updated documents that apply to the financial year under audit.

- The municipality does not have the 2016/17 financial year end declaration of interest of three of the following audit committee members, namely:

- Mr Maarman (Member Audit Committee) - Provided a declaration signed on 15/05/2015
- Mr G Seas (Chairperson Audit Committee) - Provided a declaration signed on 07/04/2016
- Mr T Milford (Member Audit Committee) - Provided declaration signed on 15/03/2016

**Cause**

The declaration of interest for the 2017 financial year was not provided by the audit committee members.

**Impact**

This results in non-compliance with MFMA provisions as set out above.

**Internal control deficiency****Financial and performance management**

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

**Recommendation**

The accounting officer should ensure that the declarations of interest are signed at the start of each financial year for all committee members.

**Management's response**

Management takes note of the exception raised. Management will obtain more recent declarations of interest from the Audit Committee members.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 20 September 2017

**Auditor's conclusion**

Management acknowledges the finding. The finding will remain and will be reported on.



## 25. INTCNTRL - Clock system not operating (Ex.9)

### Audit finding

#### Legislation/Requirement

The MFMA act paragraph 62 (1) (C) (i) states that:

*"General financial management functions.—(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take*  
*(C) that the municipality has and maintains effective, efficient and transparent systems—*  
*(i) of financial and risk management and internal control"*

#### Nature

The municipality does not have controls in place to monitor whether the employees are at work or not, there are no controls that are implemented to ensure that employees are paid for the work actually performed.

#### Cause

The municipality experienced clock system installation problems.

#### Impact

This results in non-compliance with MFMA

#### Internal control deficiency

#### Financial and performance management

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

#### Recommendation

The accounting officer should implement time sheets or a clocking system to monitor whether the employees were at work or not.

#### Management's response

Management takes note of the exception raised. The municipality replaced the clocking system with a more updated system in January 2017. Therefore, time sheets were recorded on the HR officer's computer prior to the updated system. Time clocked on the new system was recorded on the clocking system itself but not transferred to the HR officer's computer. Therefore, management deems the exception raised as more of an administrative issue rather than non-compliance.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 6 October 2017

#### Auditor's conclusion

Management agrees with the finding. The finding will remain.



## 26. INTCNTRL: No overtime exception report (Ex.30)

### Audit finding

#### Requirement/Legislation:

The Municipal Finance Management Act 56 of 2003, section 62(1) (c) (i) states:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

#### Nature:

The municipality does not have an overtime exception reporting place to monitor that monthly compensation for overtime does not exceed 60 hours of overtime worked per month (Fifteen hours per week) to ensure that the municipality is still complying with the Basic Condition of Employment Act and the collective agreement.

#### Cause:

Overtime exception reports were not maintained and investigated.

#### Impact:

Employees may exceed the monthly hours of overtime that can be worked and overtime may be misappropriated.

If this is the case, it may lead to non-compliance with the Municipal Finance Management Act

#### Internal control deficiency

##### Leadership

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

#### Recommendation

An overtime exception report should be extracted from the system and all exceptions should be followed up regularly by the accounting officer.

#### Management's response

Management response:

Management disagrees with the exception raised. Overtime is only claimed and paid per application using the Municipality's overtime form. Once the form is completed and supporting documentation is checked, it is approved by the Department Head and Human Resources verifies that the 15 hours per week is not exceeded.

#### Supporting documentation provided:

- 1) Overtime form completed and approved for Sharon Cloete.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

#### Auditor's conclusion

The finding will remain.

The overtime form is approved based on the overtime applied for, however there is no weekly and monthly reconciliation (Overtime exception report) performed by human resource to ensure that the total overtime approved by the head of department for each individual does not exceed 15 hours



per week and 60 hours per month. The control over the approval of overtime is in place, however the deficiency is with regards to the total overtime worked.

The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has a sound financial system, efficient and transparent systems of financial and risk management, and a sound control system.

The municipality does not have an overtime exception reporting system to monitor that monthly overtime does not exceed 60 hours or overtime worked per month. It is noted that the municipality is still complying with the Basic Condition of Employment Act and the collective agreement.

Over time exception reports were not maintained and investigated.

Employees may exceed the monthly hours of overtime that can be worked and overtime may be accumulated. If this is the case, it may lead to non-compliance with the Municipal Finance Management Act.

Internal control deficiency: Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

Recommendation: An overtime exception report should be excluded from the system and all exceptions should be followed up regularly by the accounting officer.

Management's response: Management responses:

Management agrees with the exception raised. Overtime is only claimed and paid per application using the municipality's overtime form. Once the form is completed and submitted, the application is checked. It is noted that the Financial Head and Human Resources Officer are responsible for ensuring that the overtime form is completed and submitted.

1) Overtime form completed and approved by Human Resources.

Name: Christoffel Othman  
Position: Financial Officer  
Date: 27 October 2017

Author: conclusion  
The finding will remain.

The overtime form is approved based on the overtime applied for, however there is no weekly and monthly reconciliation (Overtime exception report) performed by Human Resources to ensure that the total overtime approved by the head of department for each individual does not exceed 60 hours.

**27. INTCNTRL: Balance sheet line items (Receivables) for 2016/17 financial period was not budget for in 2016/17 budget provided (Ex.48)**

**Audit Finding**

**Requirement/Legislation:**

GRAP 1 - Presentation of Financial Statements, paragraph 11(e) states the following:

*"A complete set of financial statements comprises a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements, when the entity makes its approved budget publicly available;"*

Section 62(1) (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) states that:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance any prescribed norms and standards."*

Section 63 of the Municipal Finance Management Act, 2003 (Act of 56 2003) (MFMA) states that:

*"That the accounting officer must for the purpose of subsection (1) take all the reasonable steps to ensure that:*

*(a) The municipality has and maintains a management accounting information system that accounts for all assets and liabilities of the municipality.*

*(d) The municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register."*

**Nature:**

When a comparison was performed between the actual figures and budgeted figures for receivables at year end, it was confirmed that the municipality did not account for receivables in the latest adjusted budget obtained.

Budget amount as per financial statements	0
Actual amount as per financial statements	21,836,212
<b>Difference</b>	<b>21,836,212</b>

**Cause:**

This occurred due to an oversight on management's behalf during the budgeting process.

**Impact:**

This may result in non-compliance with GRAP and the MFMA.

**Internal control deficiency:**

**Financial and performance management:**

Management did not implement controls over budgeted figures for the year



**Recommendation:**

The accounting officer should ensure that controls are in place to ensure that all items in the budget are budgeted for and approved by councilors.

**Management response:**

Management disagrees with the exception raised.

Receivables were included in the budget for 2016/17. Provision for impairment was however also made for these receivables. Therefore the zero amount in the Budgeted Statement of Financial Position.

Section 28 of the MFMA only allows one adjustment budget that can be made before 28 February of each year.

All other debtors were due receivable at the time of the Adjusted Budget.

Below an extract from the budget trial balance for 2016/17 of the Approved B1 adjustment budget schedules:

Account	Description	NT Line Item	Current Year 2016/17			Budget Year +1 2017/18	Budget Year +2 2018/19
			Original Budget	Adjustments	Revised Budget		
9000052143101	BALANCE AT BEGINNING OF YEAR	Other debtors	(4 996 379)	-	(4 996 379)	(4 996 379)	(4 996 379)
9000052150104	SUBSIDY: DISTRICT NURSING	Other debtors	4 151 081	-	4 151 081	4 151 081	4 151 081
9000052150108	BILLING: DWELLING RENTAL	Other debtors	140 000	-	140 000	140 000	140 000
9000052150114	BILLING: SUNDRY DEBTORS	Other debtors	250 000	-	250 000	250 000	250 000
9000052150117	BILLING: OFFICE RENTAL	Other debtors	125 959	-	125 959	125 959	125 959
9000052150123	RECEIVER OF REVENUE	Other debtors	329 339	-	329 339	329 339	329 339
			0.00	-	0.00	0.00	0.00

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

**Auditor's conclusion:**

The exception will remain – The municipality have a debtor from department of Agriculture, Forestry and fisheries of R19 226 349 which was not budgeted for at year end

## Compliance

### 28. COMPL: The municipality does not have four quarterly internal audit reports on performance information (Ex.3)

#### Audit finding

##### Legislation/Requirement

Municipal Planning and Performance Management Regulations (14) (1) (C) states that:

*"A municipality's internal auditors must -*

- (i) on a continuous basis audit the performance measurements of the municipality; and*
- (ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in sub regulation (2)".*

##### Nature

The municipality's internal auditors did not submit the quarter four internal audit report on performance information.

##### Cause

The internal audit had a problem with the system they use, and their head of department went on maternity leave.

##### Impact

Non-compliance with Municipal Planning and Performance Management Regulations (14) (1) (C)

##### Internal control deficiency

##### Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations

##### Recommendation

The accounting officer should ensure that all quarterly internal audit reports on performance information are submitted to the municipal manager and the audit committee.

##### Management's response

Management disagrees with the exception raised. The municipality's internal auditor did submit the report on performance information for quarter 4.

##### Supporting documentation provided:

1. Confirmation of email sent to Council Secretariat regarding the inclusion of quarter 4 report for Council meeting.
2. Confirmation of email received from the Audit Committee Chairperson containing the quarter 4 report.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 6 October 2017

##### Auditor's conclusion

The finding will remain. No formal document was provided to the auditor.



## 29. COMPL: mSCOA non-compliance (Ex.14)

### Audit finding

#### Legislation/Requirements

As per Chapter 5 (Responsibilities of Municipal Functionaries) of the mSCOA Regulation of which section 12 and 13 reads as follows:

*Responsibilities of municipal councils and board of directors*

12. *The municipal council of a municipality and the board of directors of a municipal entity must take the necessary steps to ensure that these Regulations are implemented by the adoption of any resolutions, policies and budgetary provisions necessary for the implementation of these Regulations.*

*Responsibilities of accounting officers*

13. *The accounting officer of a municipality or municipal entity must take all necessary steps to ensure that these Regulations are implemented by at least:*

- (a) delegating the necessary powers and duties to the appropriate officials;*
- (b) ensuring that the responsible officials have the necessary capacity by providing for training and ensuring that they attend training or workshops provided by the National Treasury;*
- (c) ensuring that the financial and business applications of the municipality or municipal entity have the capacity to accommodate the implementation of these Regulations and that the required modifications or upgrades are implemented; and*
- (d) submitting reports and recommendations to the municipal council or the board of directors, as the case may be, that provide for the adoption of any resolutions, policies and budgetary provisions necessary for the implementation of these Regulations.*

#### Nature

Through the assessment of the municipality's compliance to mSCOA regulations, the following were noted:

The entity does not have an organisational change management and communication plan that addresses the following:

- Assessing the municipality's readiness to accept change
- Educating end users on the reason and timing behind the change
- Roles and responsibilities of organisational change management team
- Vision and strategy for change
- Communication of vision and strategy to end users
- Remove barriers / silos that inhibit end user acceptance
- Short-term and long-term goals identified and monitored
- Identify training needs
- Other communication activities (newsletter, posters, intranet site, etc.)
- Continuous feedback

The entity also does not have a data conversion / migration plan that addresses the following:

- Identification of data to be transferred / converted
- Data cleansing procedures
- Error tolerances
- Data mapping
- Data extraction
- Data transfer
- Data validation test plans
- Issue identification and resolution
- Conversion timeline
- Conversion tasks included in go-live checklist

- Required approvals





### **Cause**

The entity does not have an organisational change management and communication plan and a data conversion / migration plan.

### **Impact**

Non-compliance with the MSCOA regulations.

### **Internal control deficiency**

#### **Leadership**

Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

### **Recommendation**

Management must develop an organisational change management and communication plan and a data conversion / migration plan.

### **Management's response**

Management disagrees with the exception raised. Even though the municipality did not have a formal organisational change management and communication plan or data conversion / migration plan, all the staff per departments were part of the data conversion process, change management workshop as well as the mSCOA chart breakdown and budget allocation. The relevant committees were established and functioned during the process. Data was also checked before the service providers (BCX and PAYDAY) loaded information into the system. Information sessions were also held with all staff to discuss mSCOA and the effects on the business processes of the municipality. Therefore, the implementation of mSCOA was done even though there was no formal documented change management and conversion plans in place.

Supporting documentation provided:

- 1) Terms of Reference of the Project Steering Committee;
- 2) Terms of Reference of the Project Implementation Team;
- 3) Minutes of Steering Committee Meetings;
- 4) Minutes of Project Implementation Team Meetings;
- 5) Project Plan Framework;
- 6) ICT Due Diligence;
- 7) mSCOA Implementation Plan;
- 8) PowerPoint slides of mSCOA training on Change Management and individual training per department;
- 9) Trial balance conversion to segments of mSCOA;
- 10) Procedures performed by BCX;
- 11) Progress reports to PT;
- 12) Progress reports by Mubeko;

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 6 October 2017

### **Auditor's conclusion**

The finding will remain. The auditor takes note of the information submitted, however, the MSCOA requirement challenged relates to a formal and documented organisational change management and communication plan and data conversion / migration plan.

No formal documents exist.



### 30. COMPL: Deficiencies noted on asset register (Ex.26)

#### Audit finding

##### Requirement/Legislation:

The Municipal Finance Management Act section 63 states:

*"(1) The accounting officer of a municipality is responsible for the management of-*

*(a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and*

*(b) the liabilities of the municipality;*

*(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure-*

*(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*

*(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*

*(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."*

##### Nature:

During the testing of the asset register we noted the following deficiencies:

Not all of the asset's source of funding was indicated on the asset register.

There is a column for the condition of the assets, however the conditions of the assets are not indicated on the asset register.

##### Cause:

The asset register was not updated with all the condition of the assets, as well as the source of funding.

##### Impact:

This is non-compliance with the MFMA.

#### Internal control deficiency

##### Leadership

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

##### Recommendation

The accounting officer should ensure that the register is updated with the necessary requirements.

##### Management's response

Management disagrees with the exception raised. The accounting officer complied with section 63 of the MFMA which states that he must maintain management system over assets. The section quoted above does not state the requirements of what should be contained in the asset register. The condition of the assets was recorded on the asset count sheets as well as in the working papers of the review of useful lives of the assets.

The municipality will however consider the recommendation made by the audit team.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

## Auditor's conclusion

The auditors take note of management's response. However this is a control finding and it will improve the record keeping of assets. The exception will remain.

The Government Gazette No 40519 of 21 December 2016 states that the upper limit of the annual total remuneration package of part-time councillors is R237 620.00.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

Management did not review and report compliance with applicable laws and regulations.

The auditor's office should ensure that the correct municipal grade is used to determine the correct upper limit and ensure that the allowance and salary paid to the councillor is not within the upper limit set by the Government Gazette.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

Councillor	Annual remuneration	Actual annual remuneration	Difference
CH Wame	237 620.00	237 620.00	0.00
Councillor	Annual remuneration	Actual annual remuneration	Difference
CH Wame	237 620.00	237 620.00	0.00
CH Wame	237 620.00	237 620.00	0.00
CH Wame	237 620.00	237 620.00	0.00

The Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

Management did not review and report compliance with applicable laws and regulations.

The auditor's office should ensure that the correct municipal grade is used to determine the correct upper limit and ensure that the allowance and salary paid to the councillor is not within the upper limit set by the Government Gazette.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.

The Council of the Municipality has not implemented the upper limit applicable to the municipal grade. This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40519 of 21 April 2017.



### 31. COMPL: The total annual remuneration and the cell phone allowance exceed the upper limits as per the Government Gazette (Ex.21)

#### Audit finding

##### Requirement/Legislation:

The Government Gazette No 40519 of 21 December 2016 states that:

*"Upper limits of cell phone allowance for councillors is R1900 per month to an executive mayor or mayor, deputy mayor and speaker of grade 1, 2, 3 of a municipal council, including any other councillor."*

##### Nature:

The upper limits of the annual total remuneration packages of part-time councillors is:

Total remuneration package: R237 620

The Government Gazette No 40763 of 3 April 2017, Amendment Notice No 1600 of 21 December 2016 states that the upper limits of the annual total remuneration packages of part-time councillors is R237,620.

The actual cell phone allowance of the Executive Mayor (BG Vass) and CR Warne (Normal Councillor) exceeds the cell phone allowance limit set as per the Government Gazette, this constitutes non-compliance with the Government Gazette

The Councillor CR Warne's annual total remuneration exceeds the upper limits of the annual total remuneration packages of part-time councillors. This constitutes non-compliance with the Government Gazette.

Councillors	Cell phone allowance limit per annum/apportioned	Actual cell phone allowance as per the salary report	Difference
BG Vass	22,800 (1,900*12)	40,324.36	16,788.24
CR Warne	22,800 (1,900*12)	22,980.86	180.86
Councillors	Annual/Apportionment of annual total remuneration	Actual annual total remuneration	Difference
CR Warne	237,620.00	239,590.82	1,970.82

##### Cause:

The municipality did not implement the upper limit applicable as per the municipal grade.

##### Impact:

This results in non-compliance with the Government Gazette No 40519 of 21 December 2016, as well as with the Government Gazette No 40763 of 3 April 2017.

##### Internal control deficiency

##### Financial and performance management

Management did not review and monitor compliance with applicable laws and regulations.

##### Recommendation

The accounting officer should ensure that the correct municipal grade is used to determine the correct upper limit and ensure that the allowance and salary paid to the councillor's falls within the upper limit set out by the Government gazette.





**32. COMPL: Incorrect B-BEE score used for bidder (Ex 39)****Audit Finding**

Requirement/Limitation:

*Preferential Procurement Policy Framework Act 2000, section 6 (2) states the following:  
(table applicable before 31 March 2017):*

<i>B-BBEE Level</i>		<i>Points</i>
1		20
2		18
3		16
4		12
5		8
6		6
7		4
8		2

*The B-BBEE score should be calculated in terms of the table presented above.*

**Nature:**

For Bid 33/2016 - Computer Training:

Richfield Graduate Institute of Technology was awarded 16 points in the calculations provided by management and thus indicates a level 3 B-BBEE status. However upon inspection of the B-BBEE certificate provided by Richfieldm, we confirm that the company has a level 2 rating and thus should have been awarded 18 points.

**Cause:**

The incorrect rating was allocated to the company during the scoring process.

**Impact:**

This is non-compliance with the Preferential Procurement Policy Framework Act

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

**Recommendation**

The accounting officer should ensure that the correct B-BBEE ratings are given during the scoring process.

**Management response**

Management takes note of the exception raised. Management investigated the matter and accidentally the incorrect points were used. We however have confirmed that this is an isolated event. The recalculation of the points were done and also confirmed that the incorrect use of the B-BBEE points did not affect the outcome after the correction in calculation.

**Supporting documentation provided:**

1. The incorrect calculation as well as the revised calculation sheet after the correction of the B-BBEE points of Richfield Graduate Institute of Technology to indicate that the outcome was not affected.

Name: Christiaan Fortuin







**Disclosure****33. DISCL : Disclosure difference noted in the financial statements - note 3 as per annual financial statements (Ex.12)****Audit finding****Requirement/Legislation:**

The Generally Recognised Accounting Practice 1, paragraph 17, 21, 22 and 36, states:

*"17 financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation."*

*"21 in the extremely rare circumstances when management concludes that compliance with a requirement in a Standard of GRAP would be so misleading that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements, the entity shall depart from that requirement in the manner set out in paragraph .22 if the regulatory framework requires such a departure."*

*"22 When an entity departs from a requirement of a Standard of GRAP in accordance with paragraph .21, it shall disclose:*

- (a) That management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;*
- (b) That it has complied with applicable Standards of GRAP, except that it has departed from a particular requirement to achieve a fair presentation;*
- (c) the title of the Standard of GRAP from which the entity has departed, the nature of the departure, including the treatment that the Standard of GRAP would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements, and the treatment adopted; and*
- (d) For each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement."*

*".36 Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial."*

**Nature:**

The following mapping difference were noted when the trial balance was compared with the accounts receivable note in the annual financial statements:

Note 3 to the financial statements

	Balance as per General Ledger	Balance as per Financial Statements	Difference
Department of Roads and Public Works	4,241,178	4,211,395	29,783
Other Receivables	1,806,318	1,836,102	-29,783

**Cause:**

Incorrect mapping of accounts in the financial statements.

**Impact:**

The breakdown as per the note in the financial statements is incorrect.

The financial statements does not comply with the requirements of GRAP 1 in this regard.





**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls was not properly performed.

**Recommendation**

The accounting officer must ensure that the financial statements are presented in a manner that is accurate and complete. The accounting officer should ensure that the financial statements are disclosed correctly and indicates the financial position of the municipality as at year end, ensuring that all notes in the financial statements agree to supporting documentation and the general ledger.

**Management's response**

Management takes note of the exception raised. Management investigated the matter and concluded that it was a mapping issue. This issue will be rectified in the adjustments to the AFS if deemed necessary. It is noted that this issue causes no over / understatement of receivables balance as per Note 3 of the AFS.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

Management agrees with exception, therefore the exception will remain.



**34. DISCL: Investment property disclosure (Ex.62)****Audit finding****Requirement/Legislation:**

The Generally Recognised Accounting Practice 1, paragraph 17 states:

*"17 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation."*

**Nature:**

We noted through inspection of the financial statements that there is a disclosure error in note 7 relating to the transfer of property, plant and equipment to investment property.

The disclosure is shown as:

Transfers from / (to) Property, plant and equipment	24,300
Cost	(135,000)
Accumulated depreciation	110,700

The disclosure should be:

Transfers from / (to) Property, plant and equipment	24,300
Cost	135,000
Accumulated depreciation	(110,700)

**Cause:**

The cost was shown in a negative and the accumulated depreciation was shown in a positive. This occurred due to an oversight by management when compiling the annual financial statements

**Impact:**

There is no material impact on the financial statements.

The mathematical accuracy of the note is incorrect.

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls was not properly performed.

**Recommendation**

The accounting officer should ensure that the disclosure is correct in the annual financial statements

**Management's response**

Management takes note of the exception raised. The exception has no impact on the total of the balance or the balance of cost and/or accumulative depreciation individually. It is just in terms of negative and positive sign of the amounts. Management will rectify the signs if deemed necessary.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

Management agrees with the exceptions, management agrees to update the disclosure.



**35. DISCL: Related party Note 37 in the Financial Statements is incorrect (EX.84)****Audit Finding****Requirement/Limitation**

*"The Municipal Finance Management Act 56 of 2003 section 124 states the following:*

*(1) The notes to the annual*

*financial statements of a municipality must include particulars of—*

*(a) the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution;*

*t(b) any arrears owed by individual councillors to the municipality, or a municipal entity under its sole or shared control, for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors; and*

*(c) he salaries, allowances and benefits of the municipal manager, the chief financial officer, every senior manager and such categories of other officials as may be prescribed.*

*(2) The notes to the annual financial statements of a municipal entity must include particulars of the salaries, allowances and benefits of—*

*(a) the members of the board of directors of the entity; and*

*(b) the chief executive officer of the entity, every senior manager and such categories of other officials as may be prescribed."*

**Nature**

Related Party Note 37 states that we should refer to note 18 for the remuneration of councillors and key management staff but its actually been disclosed in note 19 & 20

**Cause**

The mistake was a simple error on the part of individuals compiling the financial statements.

**Impact**

This will result in a contravention of the MFMA act 56 of 2003 coupled with the annual financial statements not reading correctly.

**Internal control deficiency****Financial and performance management**

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

**Recommendation**

The accounting officer should ensure that every note in the financial statement reads correctly and the note references are correct when quoted.

**Management response**

Name:

Position:

Date:

**Auditor's conclusion**



**Movable assets****36. PPE: Assets not barcoded (EX.53)****Audit finding****Requirement/Legislation:**

The Municipal Finance Management Act (MFMA) section 63 states:

(1) *The accounting officer of a municipality is responsible for the management of- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and (b) the liabilities of the municipality*

(2) *The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.*

**Nature:**

During the verification of assets, we noted that the following asset did not have a bar code:

OLD000000002033	TABLET LITE 7 BLACK SAMSUNG GALAXY (C Warne)
-----------------	--

**Cause:**

The asset were not given bar codes by management.

**Impact:**

This is non-compliance with The Municipal Finance Management Act (MFMA) section 63. There is a risk of misappropriation of assets.

**Internal control deficiency****Leadership:**

Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls were not properly performed.

**Recommendation**

The accounting officer should ensure that assets have bar codes.

**Management's response**

Management partially disagrees with the exception raised. Please see responses below:

1. OLD000000002035 – Management disagrees with the exception raised. Bar code 03381 was already on the tablet during the inspection of the audit team member but was missed by the team member.
2. OLD000000002033 – Management takes note of the exception. The asset is correctly recorded in the asset register and management will ensure that it is barcoded before the completion of the audit.

The assets above are clearly identifiable due to the quantity and were available for verification.

**Supporting documentation provided:**

1. Photo indicating the tablet that was allocated to K Groenewald with barcode number 03381.

Name: Christiaan Fortuin  
 Position: Municipal Manager  
 Date: 25 October 2017

#### Auditor's conclusion

1. OLD000000002035 – The auditors takes note of management's response. Sufficient audit evidence was provided that one of the tablets was barcoded.
2. OLD000000002033 – The auditors takes note of management's response. However, the tablet did not have a bar code and the exception will remain for this tablet.

Asset Number	Asset Description
OLD000000002035	Fire fighting vehicle





**37. PPE: Asset does not have a location of room number (Ex.63)****Audit finding****Requirement/Legislation:**

The Municipal Finance Management Act (MFMA), paragraph 63 states:

*"(1) the accounting officer of a municipality is responsible for the management of-*

*(a) The assets of the municipality, including the safeguarding and the maintenance of those assets; and*

*(b) The liabilities of the municipality*

*(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure-*

*(a) That the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*

*(b) That the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*

*(c) That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."*

**Nature:**

We inspected the asset register and confirmed that the following asset does not have a location indicated on the asset register:

Asset Number	Asset Description
OLD000000002009	Fire fighting vehicle

**Cause:**

The asset was not assigned a location or room number on the asset register. This occurred due to an oversight by management.

**Impact:**

The asset's location may be unclear due to the fact that there is no location allocated to the asset.

**Internal control deficiency****Leadership:**

Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls were not properly performed.

**Recommendation**

The accounting officer should ensure that all assets are allocated location or room numbers on the asset register.

**Management's responses**

Management takes note of the exception raised. The fire fighting vehicle is located in a garage area in Calvinia. Therefore, the indications of NONE as a room number on the asset register. The fire fighting vehicle is assigned to Mr Leon Vermeulen and utilised across the jurisdiction of the Namakwa District Municipality.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

Management agrees with the auditors. The exception will remain.



**38. PPE: Asset barcodes (EX. 81)****Audit finding****Requirement/Legislation:**

The Municipal Finance Management Act (MFMA) section 63 states:

(1) The accounting officer of a municipality is responsible for the management of- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and (b) the liabilities of the municipality

(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; (b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

**Nature:**

During the physical verification process of assets, we confirmed the following:

Asset No	Description	Actual additions	Acc depr / Acc Imp Closing Balance	Carrying Balance	Bar code	Asset Class	Commentary
FUN000000000361	PEDESTAL GREY CALVINIA WOONSTEL	1,499.00	104.10	1,394.90	03489	OTH- FF	Barcode not indicated on asset register.
FUN000000000367	CUPBOARD BEDROOM SPRINGBOK WOONSTEL (GARAGE)	4,191.05	349.25	3,841.80	03466	OTH- FF	Barcode not indicated on asset register.
GEN000000000610	CAMERA CCTV - BACK GATE - NEAR PARKING NR.19	3,160.60	43.90	3,116.70		INF- SM	Not barcoded
GEN000000000612	CAMERA CCTV - POLITICAL GATE ENTRANCE - EAST SIDE	2,700.60	37.51	2,663.09		INF- SM	Not barcoded
OFE000000000630	CLOCK FINGERPRINT - CALV. H/OFFICE	5,741.00	318.94	5,422.06		OTH- PE	Not barcoded
OFE000000000638	CLOCK FINGERPRINT BATTERY BACK-UP KIT(CALV.TOURISM	2,815.00	156.39	2,658.61		OTH- PE	Not barcoded
OFE000000000641	CLOCK FINGERPRINT BATTERY BACK-UP KIT	2,815.00	156.39	2,658.61		OTH- PE	Not barcoded
OFE000000000643	CLOCK FINGERPRINT BATTERY BACK-UP KIT	2,815.00	156.39	2,658.61	03514	OTH- PE	Barcode not indicated on asset register.
OFE000000000649	CLOCK FINGERPRINT LIGHTING ARRESTOR + SUP. SURGE	2,130.00	118.33	2,011.67		OTH- PE	Not barcoded
GEN000000000614	TRAILER - FIELD SERVICE	40,263.16	-	40,263.16		OTH- EE	Not barcoded



GEN000000000616	FIRE BLADDER : INFOREST KNAPSACK	2,429.82	-	2,429.82		OTH-PE	Not barcoded - has the asset number on assets
GEN000000000620	FIRE BLADDER : INFOREST KNAPSACK	2,429.82	-	2,429.82		OTH-PE	Not barcoded - has the asset number on assets
GEN000000000623	FIRE BLADDER : INFOREST KNAPSACK	2,429.82	-	2,429.82		OTH-PE	Not barcoded - has the asset number on assets
GEN000000000627	FIRE BLADDER : INFOREST KNAPSACK	2,429.82	-	2,429.82		OTH-PE	Not barcoded - has the asset number on assets
GEN000000000630	FIRE BLADDER : INFOREST KNAPSACK	2,429.82	-	2,429.82		OTH-PE	Not barcoded - has the asset number on assets

Asset No	Description	Historical cost Closing Balance	Acc depr / Acc Imp Closing Balance	Carrying Balance	Bar code	Location	Commentary
GEN000000000372	Veiligheidshেকে - Beheersentrum	1,200.00	480.00	720.00		Springbok	Asset not barcoded
GEN000000000373	Veiligheidshেকে - Beheersentrum	1,200.00	480.00	720.00		Springbok	Asset not barcoded
GEN000000000384	LOCK - 4 DIGIT COMBINATION PRO (X75)	7,236.84	3,963.03	3,273.81		Springbok	Asset not barcoded
GEN000000000556	SAFETY GATE (AT ENTRANCE OF NEAR OFFICE - CALV.)	1,200.00	260.00	940.00	0331	Calvinia	Asset not barcoded on asset registered.
INF000000000005	Safety Gates	6,948.50	3,532.15	3,416.35		Springbok	Asset not barcoded
INF000000000014	SAFETY GATES (X2) + PALISADE FENCE FOR YARD (EHP)	67,500.00	21,937.50	45,562.50		Springbok	Asset not barcoded



INF0000000000018	GATE - MOTOR ET 500 KIT	5,640.00	2,115.00	3,525.00		Springbok	Asset not barcoded
GEN00000000000610	CAMERA CCTV - BACK GATE - NEAR PARKING NR.19	3,160.60	43.90	3,116.70		Springbok	Asset not barcoded
GEN00000000000611	CAMERA CCTV - MAIN GATE ENTRANCE AGAINST WALL	2,476.61	34.40	2,442.21		Springbok	Asset not barcoded
GEN00000000000612	CAMERA CCTV - POLITICAL GATE ENTRANCE - EAST SIDE	2,700.60	37.51	2,663.09		Springbok	Asset not barcoded
GEN00000000000613	CAMERA CCTV - AGAINST WALL (WEST SIDE) MM OFFICE	2,880.60	40.01	2,840.59		Springbok	Asset not barcoded

**Cause:**

Assets were not barcoded and the asset register was not updated with some of the barcodes.

**Impact:**

This is not in accordance with The Municipal Finance Management Act (MFMA) paragraph 63.

There is a risk of misappropriation of assets.

**Internal control deficiency****Leadership:**

Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls were not properly performed.

**Recommendation**

The accounting officer should ensure that assets have bar codes.

**Management's response**

Management takes note of the exception raised. Please see supporting documentation attached for reasons provided.

Also note that GEN00000000000610 and GEN00000000000612 were duplicated in the exception raised.

**Supporting documentation provided:**

- 1) Spread sheet with management comments of assets not barcoded or on the asset register.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

**Auditor's conclusion**

Management agrees with the finding. We have inspected the support attached. This is a housekeeping matter and will improve the control over assets for the municipality. It is an internal control finding and it will remain.



**Operating expenditure****39. EXP: Expenditure incurred in prior year was recognised in the current period (cut-off) (Ex.6)****Audit finding****Requirement/Legislation:**

In terms of the Municipal Finance Management Act no 56 of 2003, Section 62 (1) (b):

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:*

*That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards."*

**Nature:**

A travel claim was incurred in the prior period but only recognised in the current year in the financial records (cut-off).

Details of the completed subsistence claim form are as follows:

Employee: J.G Saal

Date completed: 27/06/16

Amount: R 4,349.54

Period over which trip took place: 28/06/2016 to 30/06/2016

Ledger reference: FIN90100031367

Value of projected misstatement--> R101,775.81

**Cause:**

The recording of S&T's was closed for year end and the amount was only recognized in the next period.

**Impact:**

Operating expenditure and the opening balance of accumulated surplus and deficit may be overstated as per the annual financial statements

**Internal control deficiency****Financial and performance management**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

**Recommendation**

The accounting officer should ensure that expenditure incurred is recognized in the correct accounting period in order to avoid cut-off errors.

**Management's response**

Management takes note of the exception raised. Management investigated the whole Subsistence and Travel population and concluded that the actual misstatement is R 9 826.58. The misstatement will be corrected if deemed necessary.

**Supporting documentation provided:**

- 1) Unrecorded liabilities test on Subsistence and Travel.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017



**Auditor's conclusion**

Management agrees with the exception. The finding will thus remain.

Date	Invoice number	Supplier name	Amount paid VAT	Amount paid VAT	Amount paid VAT
2016/2017	INAC837	Total Gen	27 821.70	27 821.70	27 821.70
2016/2017	INAC837	General	27 238.98	27 238.98	27 238.98
2016/2017	INAC837	Software	1 020.98	1 020.98	1 020.98
2016/2017	INAC837	Systems	60 207.00	60 207.00	60 207.00
2016/2017	INAC837	CC	10 417.72	10 417.72	10 417.72



**40. EXP: Unrecorded expenditure and liabilities at year end (Cut-off) (Ex.18)****Audit finding****Requirement/Legislation:**

In terms of section 61 the Municipal Finance Management Act of 56 of 2003:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;"*

In terms of Paragraph 37 of the Framework for the preparation and presentation of financial statements:

*"In order to meet the stated objectives listed in paragraphs .25 - .27, financial statements should be prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Financial statements prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash and/or deliver services in the future and of resources that represent cash to be received and/or potential to deliver services in the future. Hence, they provide the type of information about past events and other transactions that is most useful to users to assess the responsibility for accountability of government."*

**Nature:**

Invoices relating to the financial period ended 30 June 2017, were not accrued for at year end. These invoices were subsequently paid after year end. Details of the relevant invoices are as follows:

Date	Invoice number	Supplier name	Amount (Incl VAT)	VAT	Amount (excl VAT)	Date Paid
28/06/2017	INA06377	Total Geo Spatial Information	27,589.10	3,388.14	24,200.96	21/07/2017
01/06/2017	INA41499	Payday Software Systems CC	57,235.98	7,028.98	50,207.00	07/08/2017
			84,825.08	10,417.12	74,407.96	

**Cause:**

Invoices received late, and recorded in the incorrect period.

**Impact**

The misstatement also has the effect that expenditure and trade payables may be understated as a result of being recorded in the incorrect period.

**Internal control deficiency****Financial and performance management**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.



**Recommendation**

The accounting officer should ensure that all invoices relating to the financial year are appropriately recorded in the correct period

**Management's response**

Management disagrees with the exception raised. Please see responses below:

1. Payment voucher 34767 – Total Geo Spatial Information – Invoiced dated 28 June 2017 was for the July 2017 maintenance fees. Therefore, the service for the maintenance agreement has not yet been delivered as at 30 June 2017.
2. Payment voucher 34631 – Payday Software Systems – Invoiced dated 1 June 2017 was for the license fees for the 2017/18 financial year. Therefore, the fees are not applicable for the 2016/17 financial year and therefore correctly recorded in the new financial year of 2017/18.

Kindly note that no payment was made before 30 June 2017 with regard to the above invoices.

**Supporting documentation provided:**

1. Payment voucher 34767 with the invoice indicating the July 2017 maintenance fees.
2. Increase letter indicating the new premium from July 2017 till June 2018.
3. Payment voucher 34631 with the invoice indicating license fees for the 2017/18 financial year.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

**Auditor's conclusion**

We take note and disagree with management's response.

As per the municipality's accounting policy, the financial statements are prepared on the accrual basis. Although the above invoices relate to services to be rendered in the next financial year, we are of the opinion that an invoice dated in the current period accrues immediately and a trade payable should be raised. This is in accordance with the accrual basis adopted by the municipality.



**Payable****41. CRED: Supplier reconciliations not performed for all creditors (Ex.2)****Audit finding****Legislation/Requirement**

In terms of the Municipal Finance Management Act 56 of 2003 section 62:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:*  
*- that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;"*

**Nature**

Through discussions with Ms G. Ruiter during the system description walkthrough, we determined that the municipality does not have supplier statements for all its creditors. As a result, monthly creditor reconciliations cannot be performed for all creditors.

The municipality does not perform creditor reconciliations for all of its creditors. The municipality has not taken all necessary steps to obtain supplier statements.

There is a completeness risk for trade payables. Outstanding supplier invoices may not be detected and as a result, creditors may be understated.

**Internal control deficiency****Financial and performance management**

Management has not implemented controls over daily and monthly processing and reconciling of transactions.

**Recommendation**

The accounting officer should take all reasonable steps to obtain monthly statements from suppliers.

**Management's response**

Management takes note of the exception raised.

Reconciliations are done on the Venus system but the municipality does not always receive supplier statements, even upon request. The mitigating control is that unrecorded liabilities are recorded for the year ended 30 June 2017 when payments are made in the subsequent months after year end. The municipality has also not received any queries from suppliers for payments not made.

**Auditor's conclusion**

Management acknowledges the finding. The finding will remain and it will be reported on.



**42. CRED: Incorrect classification of unpaid Subsistence and travel claims to Trade creditors (EX.47)****Audit finding****Requirement/Legislation:**

In terms of section 62 of the Municipal Finance Management Act 56 of 2003:

*The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;*

**Nature:**

Unpaid subsistence claims of employees have been classified as trade creditors in the annual financial statements. Employees are not suppliers of goods and services in the ordinary course of business, and should not be classified as trade creditors.

Details of employees incorrectly classified as trade creditors are as follows:

Creditor	Amount
B Bonn	2,700.68
A Rooi (Rld.)	2,288.22
D Pieterse	2,432.52
G Coetzee (Rld.)	154.54
G Gous (Rld.)	3,090.60
J Davids (Rld.)	4,408.80
L Vermeulen	779.61
W Links (Rld)	3,902.55
M de wee	1,918.08
E Julius	914.24
I Smith	723.94
JT Loubser	225.80
Dawid Jacobs	540.00
T Jooste	457.60
Ilhaam Kanemyer	3,952.45
Ilhaam Kanemyer	972.57
Henry Steenkamp	1,262.40
Henry Steenkamp	2,246.11
Z de Jongh (Rdl.)	1,737.76

Total classification error: R34, 707.87

**Cause:**

Unpaid subsistence and travel claims were classified to trade creditors

**Impact**

Contravention of the municipal finance management act 56 of 2003

The balance for trade creditors is overstated and 'other creditors' understated at year end.



**Internal control deficiency****Financial and performance management**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

**Recommendation**

The accounting should classify unpaid subsistence and travel claims as other creditors

**Management's response**

Management takes note of the exception raised. Management investigated the matter and will re-classify the trade payable from Trade creditors to Other Creditors under the same note in the AFS. There is no over / understatement and merely a mapping issue in the AFS.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

**Auditor's conclusion**

Management agrees with the exception. The finding will thus remain and will be reported on.

2017/18	2016/17
1.1	1.1
1.2	1.2
1.3	1.3
1.4	1.4
1.5	1.5
1.6	1.6
1.7	1.7
1.8	1.8
1.9	1.9
1.10	1.10
1.11	1.11
1.12	1.12
1.13	1.13
1.14	1.14
1.15	1.15
1.16	1.16
1.17	1.17
1.18	1.18
1.19	1.19
1.20	1.20
1.21	1.21
1.22	1.22
1.23	1.23
1.24	1.24
1.25	1.25
1.26	1.26
1.27	1.27
1.28	1.28
1.29	1.29
1.30	1.30
1.31	1.31
1.32	1.32
1.33	1.33
1.34	1.34
1.35	1.35
1.36	1.36
1.37	1.37
1.38	1.38
1.39	1.39
1.40	1.40
1.41	1.41
1.42	1.42
1.43	1.43
1.44	1.44
1.45	1.45
1.46	1.46
1.47	1.47
1.48	1.48
1.49	1.49
1.50	1.50
1.51	1.51
1.52	1.52
1.53	1.53
1.54	1.54
1.55	1.55
1.56	1.56
1.57	1.57
1.58	1.58
1.59	1.59
1.60	1.60
1.61	1.61
1.62	1.62
1.63	1.63
1.64	1.64
1.65	1.65
1.66	1.66
1.67	1.67
1.68	1.68
1.69	1.69
1.70	1.70
1.71	1.71
1.72	1.72
1.73	1.73
1.74	1.74
1.75	1.75
1.76	1.76
1.77	1.77
1.78	1.78
1.79	1.79
1.80	1.80
1.81	1.81
1.82	1.82
1.83	1.83
1.84	1.84
1.85	1.85
1.86	1.86
1.87	1.87
1.88	1.88
1.89	1.89
1.90	1.90
1.91	1.91
1.92	1.92
1.93	1.93
1.94	1.94
1.95	1.95
1.96	1.96
1.97	1.97
1.98	1.98
1.99	1.99
2.00	2.00

**43. CRED: Long outstanding debit suspense account (EX.50)****Audit finding****Requirement/Legislation:**

In terms of section 62 of the Municipal Finance Management Act 56 of 2003:

*The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure: that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;*

**Nature:**

During testing, we identified a debit suspense account (unallocated income) as part of the trade payables balance.

Through inquiry of management we noted that the difference between the employee and municipality contributions to the medical aid is initially accumulated in the account "Unallocated income (9000031180405)" and thereafter cleared to the account "Medical aid scheme (1805051033605)." This is performed by way of monthly journals.

Through inquiry of management it was confirmed that the unallocated income account should not have a balance at year end. The journals to clear the amount were not processed for a particular employee for the months of January and February 2017. Details of the balance are as follows:

Account name: Unallocated income

Vote number: 9000031180405

Balance: R2, 641.97

**Cause:**

Management made an error and failed to process the necessary correcting journal

**Impact:**

Understatement of trade and other payables

Understatement of the account Medical aid scheme (1805051033605)

**Internal control deficiency****Control Deficiency**

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

**Recommendation**

The accounting officer should clear all suspense accounts in a timely manner

**Management's response**

Management takes note of the exception raised. Management will post the necessary correcting journal in order to rectify the issue if deemed necessary for adjustments.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 25 October 2017

**Auditor's conclusion**

Management agrees with the exception. The finding will thus remain and will be reported on.



## Procurement and Contract Management

**44. PROC: The entity did not select the lowest of the three quotations obtained and no deviation form was completed (Ex.7)**

### Audit finding

#### Requirement/Legislation:

In terms of the Municipal Finance Management Act 56 of 2003, Section 62(1) (b):

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:*

*That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards"*

#### Nature:

The entity obtained three quotations for an expense incurred, however the lowest quotation of the three was not selected. No deviation form was attached.

Details of the invoice are as follows:

Invoice number: 129

Supplier: Sweet dreams Guest house

Invoice Date: 4 October 2016

Amount: R3,400 (Incl. VAT)

Ledger Reference: FIN90100032112

#### Cause:

Management has stated that they were still seeking clarity from treasury as to what constitutes a deviation and were still of the opinion that it is not necessary to select the lowest quote from the three obtained.

#### Impact:

Contravention of the Supply Chain Regulations and non-compliance to the MFMA.

Irregular expenditure as disclosed in the Annual Financial Statements may be understated.

### Internal control deficiency

#### Financial and performance management:

Management has not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

#### Recommendation

The accounting officer should ensure that appropriate and authorized deviation forms are attached where the entity has not adhered to standard procurement procedures.

#### Management's response

Management disagrees with exception raised. 3 quotations were obtained as per the Supply Chain Management Regulations. The Supply Chain Management Regulations do not indicate that the lowest quotation must be used. The payment is therefore not a deviation from Supply Chain Regulation. Also note that the most expensive quotation was not selected.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

#### Auditor's conclusion

Management response is noted, however the difference between the selected quotation and the lowest quotation is considered to be fruitless and wasteful expenditure as the lowest quotation could have been selected.





**45. PROC: No deviation form attached on payment voucher (Ex 43)****Audit finding**

The Municipal Supply Chain Management Regulation section 17 (1) (a) states the following:

*"17. Formal written price quotations.-(1) A supply chain management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating-*

*(a) that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity;"*

**Nature:**

We inspected the following payment voucher:

ELE number: 32918

Supplier: Port Nolloth boumark

There were three quotations attached, however there were two quotations from Port Nolloth Boumark but from different branches.

No deviation form was attached to indicate that these were the only available suppliers from which the goods could be obtained.

**Cause:**

A deviation form was not completed to indicate that there were no other options available.

**Impact:**

This is non-compliance with the Municipal Supply Chain Regulation.

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

**Recommendation**

The accounting officer should ensure that a deviation form is attached to payment vouchers in the instance that a deviation is made.

**Management's response**

Management disagrees with the exception raised. Management obtained 3 quotations. As indicated, 2 quotations were obtained from different branches of Port Nolloth Boumark (One branch is Port Nolloth Boumark and the other is "Carolusberg Crushers"). The purchase of the stones and sand were to be used in Port Nolloth and therefore, the Port Nolloth Boumark quotation was accepted and no delivery costs were necessary. Should the supply be purchased from Springbok, delivery costs would have applied and therefore costing is different. It is also importance to note that the unit prices differ from one branch to the other, therefore confirming that there is a difference in cost structuring and that the branches are operated separately.

**Supporting documentation provided:**

1. Payment voucher 32918 confirming the above explanation.

Name: Christiaan Fortuin  
Position: Municipal Manager



Date: 17 October 2017

### Auditor's conclusion

The auditors noted management's response.

Managements response submitted is not sufficient a deviation form should have been completed for the supplier.





**46. SCM: Deviations disclosure is inaccurate. (EX.77)****Audit finding****Requirement/Legislation:**

The Generally Recognised Accounting Practice 1, paragraph 17,21,22 states:

*"17 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation."*

*"22 When an entity departs from a requirement of a Standard of GRAP in accordance with paragraph .21, it shall disclose:*

*(a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;*

*(b) that it has complied with applicable Standards of GRAP, except that it has departed from a particular requirement to achieve a fair presentation;*

*(c) the title of the Standard of GRAP from which the entity has departed, the nature of the departure, including the treatment that the Standard of GRAP would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements, and the treatment adopted; and*

*(d) for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement."*

**Nature:**

Through testing of deviations, it is confirmed that the September month deviations listing was not totalled correctly. However, through inspection of the listings approved by council we can confirm that this was the same listing provided to council for approval. Thus, it does not result in irregular expenditure. Thus, this is a disclosure issue that should be adjusted in the financial statements with R 42,445.

**Cause:**

The calculation sheet was not tested to ensure that it is mathematically accurate.

**Impact:**

The disclosure in the financial statements is not accurate.  
Non-compliance with the Grap 1 standards.

**Internal control deficiency****Financial and performance management**

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

**Recommendation**

Management must adjust the deviations disclosure to ensure that it is accurate and reflects the correct amount.

**Management's response**

Management takes note of the exception raised. Management will rectify the disclosure in the AFS. There was a total sum error in the formula and this was corrected.



Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 31 October 2017

### Auditor's conclusion

Management agrees with the finding. The finding will remain.



**Receivables****47. REC: Provision for doubtful debt not complete (Ex.20)****Audit finding****Requirement/Legislation:**

The Municipal Finance Management Act, section 62(1) (c) (i) states the following:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

The Municipal Finance Management Act, section 63 states the following:

*"(1) the accounting officer of a municipality is responsible for the management of*

*(a) The assets of the municipality, including the safeguarding and the maintenance of those assets;*

*(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—*

*(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*

*(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*

*(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."*

Generally Recognised accounting Practice – Financial Instruments (GRAP 104), paragraph 61 states:

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

**Nature:**

Through testing performed on Receivables, as well as Provision for Bad Debt, it was noted that management did not include all debtors identified for possible impairment, in the specific provision made at year end.

The following debtors were aged more than 90 days at year end:

Type	Debtor	Acc.Nr.	Amount as at 30/06/2017
Grond	NABABEEP ADVIESKANTOOR	705005	584.67
Kantore	D DEPT OF SAFETY AND LIAISON	800107	234,715.41
Kantore	TRAFFIC DEPARTEMENT VEILIGHEID EN SKAKEL	801124	44,204.11
Pensionaris	H LOUW	900039	113.25
Pensionaris	HJD MOSTERT	900043	149.74
Total			279,767.18

The total misstatement therefore amounts to R279,767.18



**Cause:**

Insufficient consideration of accounts past due by management.

**Impact:**

Possible overstatement of Receivable / Debtors balance at year end.

**Internal control deficiency****Financial and performance management**

Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not prepared.

**Recommendation**

Management should implement proper controls in terms of review function over the calculation of Bad Debt/Impairment of Receivables.

**Management's response**

Management disagrees with the exception raised. There is no clear and objective evidence that the outstanding monies will not be recovered.

The debtor with account number 800107 and 801124 are the Department Transport, Safety and Liaison, one rental in Springbok and the other rental in Calvinia. A total payment of R 183 416.00 was received in September and October 2017.

**Supporting documentation provided:**

- 1) Debtor account printout of 800107 and 801124 as well as the receipts and bank statement reflecting the money received.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 27 October 2017

**Auditor's conclusion**

The exception will remain as the client policy stipulates that all debtors with balances that are more than 90 days should be provided for at year end, although the payments was received during the year, no payment was received for more than 6 months therefore the outstanding balance at year end should be provided by the client.



#### 48. REC: Debtors with credit balances are understated in the annual financial statements (Ex.60)

##### Audit finding

##### Legislation/Requirement

The Municipal Finance Management Act section 62(1)(c)(i) states:

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."*

Section 63 of the Municipal Finance Management Act, 2003 (Act of 56 2003) (MFMA) states that:

*"That the accounting officer must for the purpose of subsection (1) take all the reasonable steps to ensure that:*

*(a) The municipality has and maintains a management accounting information system that accounts for all assets and liabilities of the municipality.*

*(d) The municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register."*

##### Nature:

During our testing performed we noted that debtors with credit balances with a total value of R77,599.14 was not disclosed as debtors with credit balances in the financial statements.

The 2 largest accounts are as follows:

Accounts	Name of the Debtor	Balance (before reconciling items)	Adjustment (reconciling items)	Adjusted balance (after reconciling items)
800080	J A FARO	12,920.00	(47,275.23)	(34,355.23)
800066	B J ANDREA	2,294.32	(40,042.79)	(37,748.47)
Total				(72,103.70)

##### Cause:

All debtors with credit balances was not fully disclosed in the financial statements under creditors. This occurred mainly due to an oversight on behalf of management

##### Impact:

This results in debtors and creditors being understated on the financial statements

##### Internal control deficiency

##### Financial and performance management:

Management did not implement controls over daily and monthly processing and debtors with credit balances were not reconciled on a monthly basis.

##### Recommendation

The accounting officer should ensure that controls are in place to ensure that all balances are recorded in the correct line item on the annual financial statements

**Management's response**

Management disagrees with the exception raised. Payment received for renting of property to employees via payroll is firstly received against 9000052150108 and subsequently transferred to the respective accounts where the billing initially took place. Please see attached the individual debtor accounts which confirm debt balances on 30 June 2017.

These debtors do not form part of debtors with credit balances.

**Supporting documentation provided:**

- 1) Printout of Debtor accounts 800080 and 800066 to confirm debt balances.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 27 October 2017

**Auditor's conclusion**

We take note of management's response, as a result of the reconciling items between the trial balance and the sub-ledger if it were to be adjusted on the sub-ledger would result in the abovementioned debtors having credit balances at year end.

To clear this exception we need a sub-ledger that agrees to the trial balance without reconciling items.



## Revenue

### 49. REV: No rent charged to debtor for rental of buildings (Ex.71)

#### Audit finding

##### Requirement/Legislation:

Section 62 of the MFMA (Act No.56 of 2003) states that:

- (1) *The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure -*
- (a) *that the resources of the municipality are used effectively, efficiently and economically;*
  - (b) *that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standard;*
  - (c) *that the municipality has and maintains effective, efficient and transparent systems -*
    - (i) *of financial and risk management and internal control.*

##### Nature:

Through the testing of completeness of rental income charged to debtors, it was found that not all lessees who are listed on the rental register are charged for rental of building:

INFORMATION AS PER RENTAL REGISTER				INFORMATION AS PER INTEGRATION REPORT		
Account number	Name as per register	Starting date	Cancellation date	Lessee on billing report	Quantity of rental charges	Comments
705123	H Phillips	19 July 2002	None	Yes	0	Only interest charged on billing report
800257	M.E Mzekwa	31 March 2006	None	Yes	0	Only interest charged on billing report
800267	L.H van Rooi	28 April 2006	None	Yes	0	Only interest charged on billing report
800305	L van den Heever	30 June 2010	None	Yes	0	Only interest charged on billing report
800268	MT Bezuidenhout	28 April 2006	None	Yes	0	Only interest charged on billing report
800257	ME Mzekwa	31 March 2006	None	Yes	0	Only interest charged on billing report
800216	C.C.M.A	20 April 2004	None	Yes	0	Only interest charged on billing report

##### Cause:

This is as a result of management not performing regular reconciliations between the rental register and billing report.

##### Impact:

There is a risk that rental charges are not accounted for on all properties leased.

This leads to a misstatement of revenue in the financial statements.

The extrapolated figure is R 260,023.

##### Internal control deficiency

##### Financial and performance management

Management does not implement controls over daily and monthly processing and reconciling of transactions.

### Recommendation

The accounting officer should implement internal controls to ensure that a reconciliation is regularly performed between the rental register and the billing report.

### Management's response

Management disagrees with the exception raised. All the debtors are not rental debtors. These debtors are debtors with outstanding balances that were previously rental debtors in other years but no longer have rental contract. These debtors will be on the billing report, but only for interest billed against their respective accounts. Thus, only interest charged @ prime + 1%.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

### Auditor's conclusion

The rental register should be updated to include only debtors which have current contracts with the municipality. This is a housekeeping matter and the municipality should use this to better the process. The finding will remain.

Account Number	Rent Value	Account Number	Rent Value
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58

Account Number	Rent Value	Account Number	Rent Value
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58
10050235110	31 152.58	10050235110	31 152.58



**50. REV: No valid rental contracts in place for rental income recognized in the billing report (Ex.66)****Audit finding****Requirement/Legislation:**

In terms of the Municipal Finance Management Act 56 of 2003, Section 62(1) (b):

*"The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;"*

Generally Recognised accounting Practice – Revenue from exchange transactions (GRAP 9) paragraph 15 states:

*"Revenue shall be measured at the fair value of the consideration received or receivable"*

**Nature:**

Through testing performed on revenue from rental agreements, we could not obtain the following rental agreements from the municipality in order to confirm the validity of revenue recognised:

As per integration report			Account number	Rand value	
20161031	1305202254205	HUURGELD - KANTOORGEBOUE	800107	31,125.88	D DEPT OF SAFETY AND LIAISON
20161031	1305202254205	280.00 HUUR KANTOORGEBOU	800032	280.00	DEPT WERK VIR WATER

Through testing performed on the following income from rental agreements, it was confirmed that the following rental agreements were not signed by the lessees:

As per integration report			Account Number	Rand Value
20161031	1305202252110	RAADSWONING OP ERF 408	800080	2,036.47
20161031	1305202252110	HUUR - RAADSWONING VAN RIEBEECK STR	800066	1,724.92
20161031	1305202252110	HUISHUUR TE JAN SMUTSLAAN 6 TE CALVINIA	801126	2,362.76

**Cause:**

Rental agreements are not in place for all the rental income.

**Impact:**

We were unable to confirm the accuracy and occurrence of rental income. This results in overstatement or understatement of revenue.



## Internal control deficiency

### Leadership:

Management did not exercise oversight responsibilities regarding financial and performance reporting and compliance as well as related internal controls.

### Recommendation

Management should ensure that the rental income recognised, is supported by rental agreements and that the agreements are signed by both parties.

### Management's response

Management partially disagrees with the exception raised. Please see responses below:

- 1) 800107 – Management disagrees with the exception raised. A valid contract was entered into with Provincial Traffic for this rental.
- 2) 800032 – Management takes note of the exception raised. This is an internal use of space in the Calvinia office and therefore no contract for the rental amount.
- 3) 800080 – Management takes note of the exception raised. Management have not received the signed copies of the lease agreement from the specific employee. Common law agreement currently in place whereby the lessor leases the property to the lessee and the lessee pays the lessor the rental amount via payroll deduction.
- 4) 800066 – Management takes note of the exception raised. Management have not received the signed copies of the lease agreement from the specific employee. Common law agreement currently in place whereby the lessor leases the property to the lessee and the lessee pays the lessor the rental amount via payroll deduction.
- 5) 800126 – Management takes note of the exception raised. Management have not received the signed copies of the lease agreement from the specific employee. Common law agreement currently in place whereby the lessor leases the property to the lessee and the lessee pays the lessor the rental amount via payroll deduction.

### Supporting documentation provided:

- 1) Rental agreement between NDM and Provincial Traffic. Inception date of 1 April 1999 with a rental amount of R 6 158.10 escalated at a rate of 10% per annum equals to R 31 125.88 per month.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

### Auditor's conclusion

#### No rental contracts:

1 Support provided. Exception cleared.

2 Exception remains.

#### Contract not signed:

1 Exception remains – if the lessee is an employee, a formal contractual agreement must exist in order for it to be legal and binding between both parties.

2 Exception remains – if the lessee is an employee, a formal contractual agreement must exist in order for it to be legal and binding between both parties.



**51. Rev : Rental income incorrectly classified as sundry income (Ex.69)****Audit finding****Requirement/Legislation**

Section 63 of the Municipal Finance Management Act, 2003 (Act of 56 2003) (MFMA) states that:

*"That the accounting officer must for the purpose of subsection (1) take all the reasonable steps to ensure that:*

*(a) The municipality has and maintains a management accounting information system that accounts for all assets and liabilities of the municipality.*

*(d) The municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register."*

Section 97 of the Municipal Finance Management Act, 2003 (Act of 56 2003) (MFMA) states that:

*"Revenue management.—The accounting officer of a municipal entity must take all reasonable steps to ensure— (h) that the municipal entity has and maintains a management, accounting and information system which- (i) recognises revenue when it is earned".*

**Nature:**

The following rental income was incorrectly classified as sundry income:

Vote number	Transaction type	Reference		Transaction date	Credit amount
1305202365430	SUNDRY INCOME	HUUR VAN GROND VIR KLIPMYN	800019	20160729	11,392.51

**Cause:**

Management did not assess the classification of its income correctly.

**Impact:**

This results in an understatement of rental income.

**Internal control deficiency****Leadership**

Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

**Recommendation**

Management should investigate the sundry income account to determine whether reclassification is required.

**Management's response**

Management takes note of the exception raised. Management will correct the classification if deemed necessary.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

**Auditor's conclusion**

Management agrees with the finding. The classification must be corrected as the nature of revenue is separately presented in the financial statements.



**52. Rev: Rental income not paid on market related prices (Ex.70)****Audit finding****Requirement/Legislation:**

The MFMA section 63 states the following:

*"(1) The accounting officer of a municipality is responsible for the management of*

*(a) the assets of the municipality, including the safeguarding and the maintenance of those assets;*

*(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure— (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*

*(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*

*(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed".*

Generally Recognised Accounting Practice 9 - Revenue from exchange transactions, paragraph 12 states the following:

*"Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.*

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

Generally Recognised Accounting Practice 9 - Revenue from exchange transactions, paragraph 15 states the following:

*"Revenue shall be measured at the fair value of the consideration received or receivable".*

**Nature:**

Rental income is not appropriately escalated as per signed contract and the escalation clause was not properly applied during the current financial period for the following rental income:

Period	Vote number	Description	Account number	Amount	Recalculation of escalation	Difference
20161027	1305202 365430	VERHURING VAN GROND	800019	1,393	13,785	2,392
20161031	1305202 254205	KANTOORGEBOUE	800049	1,883	2,071	188
20161031	1305202 252110	KANTOORHUUR	801124	8,000	31,126	23,126
20161031	1305202 254205	HUURGELD KANTOORGEBOU NABABEEP KLINIEK	800116	3,676	4,044	368
20161031	1305202 254205	HUURGELD KANTOORGEBOU SPRINGBOK KLINIEK	800117	4,595	4,177	418
20161031	1305202 254205	HUURGELD KANTOORGEBOU SOEBATSFONTEIN KLINIEK	800118	689	1,264	574
20161031	1305202 254205	VERHURING VAN KANTOOR TE SOEBATSFONTEIN	800189	190	758	568
				30,426	57,225	26,799

The following rental income is not as per market related valuation report obtained from the lawyers:





Period	Vote number	Description	Account number	Amount	Market related rent as per valuations report	Difference
20161031	1305202252110	HUUR - RAADSWONING VAN RIEBEECK STR	800066	1,724.92	5,000	- 3,275
20161031	1305202252110	HUUR KANTOORGEBOU VERKEER	801116	665.68	4,000	- 3,334
20161031	1305202252110	HUUR VAN WONING TE ERF20 GARIES	801118	2,395.80	2,500	- 104
				4,786.40	11,500.00	- 33,512

**Cause:**

This was caused due to a lack of controls over the billing and charging of rental services to clients.

**Impact:**

This could result in overstatement or understatement of revenue.

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibilities regarding financial and performance reporting and compliance as well as related internal controls.

**Recommendation**

Management should determine the fair value of each service and ensure that it is market related.

**Management's responses**

Management partially disagrees with the exception raised. Please refer to spread sheet attached indicating remaining difference of only R 2 430.67 in the recalculation of rental amounts.

**Supporting documentation provided:**

- 1) Spread sheet with management comments regarding the recalculation exception and the comparison to market value exception.
- 2) Individual rental agreements.

Name: Christiaan Fortuin  
Position: Municipal Manager  
Date: 31 October 2017

**Auditor's conclusion**

Period	Vote number	Description	Difference	Cleared (Yes/No)
20161027	1305202365430	VERHURING VAN GROND	- 2,392	Yes
20161031	1305202254205	KANTOORGEBOU	- 188	No
20161031	1305202252110	KANTOORHUUR	- 23,126	Yes
20161031	1305202254205	HUURGELD KANTOORGEBOU NABABEEP KLINIEK	- 368	Yes
20161031	1305202254205	HUURGELD KANTOORGEBOU SPRINGBOK KLINIEK	- 418	No
20161031	1305202254205	HUURGELD KANTOORGEBOU SOEBATSFONTEIN KLINIEK	- 574	No

20161031	1305202254205	VERHURING VAN KANTOOR TE SOEBATSFONTEIN	- 568	No – There is a rental contract
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Period	Vote number	Description	Difference	Cleared (Yes/No)
20161031	1305202252110	HUUR - RAADSWONING VAN RIEBEECK STR	-3,275	Yes
20161031	1305202252110	HUUR KANTOORGEBOU VERKEER	-3,334	Yes
20161031	1305202252110	HUUR VAN WONING TE ERF20 GARIES	-104	Yes
			-33,512	





**53. REV : Billing integration report does not agree to general ledger (EX.78)****Audit finding****Requirement/Legislation:**

The Generally Recognised Accounting Practice 1, paragraph 17,21,22 and 36, states:

*"17 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation."*

*"22 When an entity departs from a requirement of a Standard of GRAP in accordance with paragraph .21, it shall disclose:*

*(a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;*

*(b) that it has complied with applicable Standards of GRAP, except that it has departed from a particular requirement to achieve a fair presentation;*

*(c) the title of the Standard of GRAP from which the entity has departed, the nature of the departure, including the treatment that the Standard of GRAP would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements, and the treatment adopted; and*

*(d) for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement."*

*"36 Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial."*

**Nature:**

During our reconciliation testing between the billing report and general ledger we confirmed the following difference:

Total balance as per Billing report	2,756,408.82
Total as per the general ledger transactions	2,448,362.63
Total difference	308,046.19

**Cause:**

This is as a result of management not performing regular reconciliations between the general ledger and billing report.

**Impact :**

This results in the misstatement of revenue and trade receivables.

**Internal control deficiency****Leadership:**

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls was not properly performed.

**Recommendation**

The accounting officer should implement internal controls to ensure that a reconciliation is regularly performed between the general ledger and the billing report.

**Management's responses**

Management disagrees with the exception raised. After consultation with the Venus service provider consultant, it was indicated that the BP680 report provided is only a listing of billing transactions and not the integration to the general ledger report. The correct integration to general ledger report is BP641. Therefore, the following comparison was done:

Total per GL (Select transaction type – Integration from Cons/Billing)	= R 3 859 077.32
Total integration as per the BP641 integration report	= R 3 859 077.32
Difference	= R 0.00

**Supporting documentation provided:**

- 1) Correct integration summary report – BP641 for the 2016/17 financial year.

Name: Christiaan Fortuin

Position: Municipal Manager

Date: 31 October 2017

**Auditor's conclusion**

The finding will remain. The auditor found differences between the BP461 (submitted) and BP680. The auditor cannot confirm which report is reliable.





## **Annexure D: Performance management and reporting framework**

The Performance Management and Reporting Framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
  - Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA)
  - Municipal Systems Act (Act No. 31 of 2000)
  - *Regulations for planning and performance management*, 2001, issued in terms of the Municipal Systems Act.
  - *Municipal performance regulations for municipal managers and managers directly accountable to municipal managers*, 2006, issued in terms of the Municipal Systems Act.
- The Framework for Managing Programme Performance Information (FMPPi), issued by the National Treasury. This framework is applicable to all spheres of government, excluding parliament and provincial legislatures
- Circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives.



## Annexure D – Criteria developed from the performance management and reporting framework

Criteria	References to PMRF per entity	
	Municipalities	Municipal Entities
<b>Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents.</b>		
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives.	MFMA 121(3)(f) MSA sec 41 (a) - (c) & 46	MFMA sec 121(4)(d)
2. Changes to strategic or development objectives are approved	MSA sec 25(2)	MFMA sec 54(1)(c)
3. Reported measures or indicators are consistent or complete when compared to planned measures or indicators	MFMA 121(3)(f) MSA sec 41 (a) - (c) & 46	MFMA sec 121(4)(d)
4. Changes to measures or indicators are approved	MSA sec 25(2)	MFMA sec 54(1)(c)
5. Reported targets are consistent or complete compared to planned targets	MFMA 121(3)(f) MSA sec 41 (a) - (c) & 46	MFMA sec 121(4)(d)
6. Changes to targets are approved	MSA sec 25(2)	MFMA sec 54(1)(c)
<b>Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound.</b>		
1. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use.	FMPPI chapter 3.2 issued by NT	
2. A performance measure/indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator.	FMPPI chapter 3.2 issued by NT	
3. A target is specific when the nature and required level of performance of the target is clearly identifiable.	FMPPI chapter 3.2 issued by NT	



Criteria	References to PMRF per entity	
	Municipalities	Municipal Entities
4. A target is measurable when the required performance can be measured.	FMPPI chapter 3.2 issued by NT	
5. A target is time bound when the timeframes for achievement of targets are indicated.	FMPPI chapter 3.2 issued by NT	
<b>Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives.</b>		
1. The performance measure/ indicator and target relates logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives.	FMPPI chapter 3.2 issued by NT	
<b>Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements is valid, accurate and complete.</b>		
1. Reported performance occurred and pertains to the reporting entity.	MSA sec 45	MSA sec 45
2. Reported performance is recorded and reported accurately.	FMPPI chapter 5	FMPPI chapter 5
3. All actual performance is recorded and included in the reported performance information.		



## **Annexure E: Auditor-general's responsibility for the audit of the reported performance information**

1. As part of my engagement conducted in accordance with ISAE 3000, I exercise professional judgement and maintain professional scepticism throughout my reasonable assurance engagement on reported performance information for selected objectives.
2. I am independent of the District Municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

### **Quality control relating to assurance engagements**

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### **Reported performance information**




(Reasonable assurance engagement)

4. In addition to my responsibility for the assurance engagement on reported performance information as described in the auditor's report, I also:
  - identify and assess risks of material misstatement of the reported performance information, 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. In making those risk assessments, I consider internal control relevant to the management and reporting of performance information per selected objective 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 District Municipality's internal control.
  - evaluate the documentation maintained by the District Municipality that supports the generation, collation, aggregation, monitoring and reporting of performance indicators/measures and their related targets for the selected objectives.
  - evaluate and test the usefulness of planned and reported performance information, its consistency with the approved performance planning documents of the District Municipality and whether the indicators and related targets were measurable and relevant.
  - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.



### Communication with those charged with governance

5. 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.

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 bear on my independence and, where applicable, related safeguards.

The required presentation of internal controls was in place.	
Procedures were tested and found to be effective in detecting errors, but internal controls were not in place or were not properly designed.	
Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.	

Approved	
Unapproved	
Not approved	




Internal Control						Overall Rating
Control	Design	Implementation	Operating Effectively	Monitoring	Reporting	
1. The accounting officer is responsible for the design, implementation and monitoring of internal controls.						
2. The accounting officer is responsible for the design, implementation and monitoring of internal controls.						






## Annexure F: Assessment of internal controls
















Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

	The required preventative or detective controls were in place.
	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:



















	Improved
	Unchanged
	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<b>Leadership</b>						
<b>Overall movement from previous assessment</b>						
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity						
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						



• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
• Develop and monitor the implementation of action plans to address internal control deficiencies						
• Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance					N/A	
<b>Financial and performance management</b>						
<b>Overall movement from previous assessment</b>			↓		↓	
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
• Implement controls over daily and monthly processing and reconciling transactions						
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
• Review and monitor compliance with applicable legislation						
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information			N/A	N/A	N/A	N/A
<b>Governance</b>						
<b>Overall movement from previous assessment</b>						



<ul style="list-style-type: none"> <li>Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored</li> </ul>						
<ul style="list-style-type: none"> <li>Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively</li> </ul>						
<ul style="list-style-type: none"> <li>Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation</li> </ul>						

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Date: 31-May-17

Date: 31-May-17

**Purpose:** The purpose of the JAIL is to track the allocation and status of project actions

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported In previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 May 2017	Responsibility	Department within the Municipality	Remarks																														
QUALIFICATION																																										
37	Compliance on performance agreements		Compliance	<p>- Only the Municipal manager evaluated the performance of the senior managers - Only the Mayor evaluated the performance of the Municipal manager Evaluations were only done by the Mayor and the Municipal manager. This result in non-compliance with Municipal Performance Regulations.</p>	Yes	31-Mar-17	30-Apr-17	0%	0%	Director Corporate Services	Office of the Municipal Manager	Internal Audit found that performance evaluations, for Senior Management and the Municipal Manager, for the 2016/17 financial year have not been done.																														
38	Related parties declarations of interest		Compliance	<p>According to the Municipal Systems Act, all council members should declare their interests to the municipal council. According to the past practice of the municipality, this should be done on an annual basis. The following declaration of interest forms could not be obtained for the 2015/16 financial period: BG Vos (Executive Mayor); AG Cardinal (Speaker); SD Holstin (Councillor); HC Steenkamp (Councillor); BG Drogen-Muller (Councillor); GJ Engelbrecht (Councillor); CR Vorne (Councillor); J Swarts (Councillor); AC Groenewald (Councillor); S van Wyk (Councillor); J van der Call (Councillor); GJ Coetzee Although all declaration of interest forms were sent out to the individual members of council to complete, some of them were not received back during the financial year. This results in non-compliance with the Municipal Systems Act. Interest in business etc. by council members may not be identified.</p>	Yes	31-Mar-17	30-Apr-17	0%	99%	Director Corporate Services	Office of the Speaker / Council support Unit	Currently, 14 out of the 18 Councillors have signed declaration of interests. The one outstanding refers to Mr Jeannie Davids.																														
42	VAT Output not levied on Commercial Properties		Compliance	<p>As per testing performed on Rental income and VAT, it was noted that the municipality does not levy VAT on commercial properties. This results in loss of revenue from rental of Commercial properties. Specific testing performed: Sep 2015 ADVIES LANTOOR 863,71 Sep 2015 DEPT VAN GEBOUWED 1.000,00 Sep 2015 WATER 280,00 Sep 2015 WEG 1,21 Sep 2015 PROV ADM VERKEER 28,29x25 Sep 2015 KLINIEK NABABEEP 3.341,81 Sep 2015 KLINIEK SPRINGBOK 4.177,25 This was further tested through inspection of the General ledger as well as VAT201 for output tax. It was confirmed that the VAT is not levied on commercial properties. Maintenance will be entangled over the entire year, as well as over all commercial properties rented out. This is non-compliance with the law, as this is not part of residential properties that are exempt The cause of this exception is due to management changes through the years and management did not reconsider/re-evaluate how lease or rental income are managed and recorded. As payments of outstanding balance of year end was already received from SARS after year end, this finding will have no current year financial impact, but can lead to possible fines, interest or possible assessment each year are thus underidentified with Output VAT, as well as balances as per financial statement.</p>	No	31-Mar-17	30-Apr-17	0%	0%	CFO-Roelof Doroshin	BTO	The CFO indicated that he will review VAT Act stipulates surrounding this income.																														
31	Deviation from 3 quotes not recorded or approved		Procurement	<p>According to the SCM regulations if three quotes are not obtained, the reasons have to be recorded and approved and also have to be reasonable/utilised on the basis that it was impossible/impractical to obtain 3 quotes. Invoices were submitted where 3 quotes were not obtained. There were no reasons recorded or approval of the deviations. <table><tr><th>Account number / vote</th><th>Description</th><th>Date</th><th>Rat.</th><th>Inclusive Amount</th></tr><tr><td>1105301093305</td><td>LEGAL FEES</td><td>20151013</td><td>RN90100029082</td><td>8.892</td></tr><tr><td>1105301093305</td><td>LEGAL FEES</td><td>20151004</td><td>RN90100029084</td><td>1.000</td></tr><tr><td>1105301093305</td><td>LEGAL FEES</td><td>20151004</td><td>RN90100029082</td><td>88,43</td></tr><tr><td>1105301093305</td><td>LEGAL FEES</td><td>20160412</td><td>RN90100030705</td><td>2.213</td></tr><tr><td>1105301093305</td><td>LEGAL FEES</td><td>20160519</td><td>RN90100031091</td><td>6.100</td></tr></table> The accounting officer did not record or approve all awards that were made where 3 quotes were not obtained. This results in non-compliance with the Supply Chain Management Regulations, as well as irregular expenditure.</p>	Account number / vote	Description	Date	Rat.	Inclusive Amount	1105301093305	LEGAL FEES	20151013	RN90100029082	8.892	1105301093305	LEGAL FEES	20151004	RN90100029084	1.000	1105301093305	LEGAL FEES	20151004	RN90100029082	88,43	1105301093305	LEGAL FEES	20160412	RN90100030705	2.213	1105301093305	LEGAL FEES	20160519	RN90100031091	6.100	No	31-Mar-17	30-Apr-17	0%	50%	CFO-Roelof Doroshin	BTO	A 100% expenditure payment verification has been done for the period July 2016 - March 2017. Deviations identified which were not on the list will separately be taken to Council for adoption. The Accounting Officer advised that he amended and implemented from 1 July 2016 to 31 Mar 2017 ensure all required information is on the payment prior to approval.
Account number / vote	Description	Date	Rat.	Inclusive Amount																																						
1105301093305	LEGAL FEES	20151013	RN90100029082	8.892																																						
1105301093305	LEGAL FEES	20151004	RN90100029084	1.000																																						
1105301093305	LEGAL FEES	20151004	RN90100029082	88,43																																						
1105301093305	LEGAL FEES	20160412	RN90100030705	2.213																																						
1105301093305	LEGAL FEES	20160519	RN90100031091	6.100																																						
40	Exceptions Identified: 3 Quotations not obtained		Procurement	<p>According to the Municipal Supply Chain Management Regulations, the municipality should always obtain 3 quotations for awards above R20,000 unless an approved and valid deviation form is submitted. However, 3 quotations have not been obtained for the following award between R20,000 and R10,000 with no Deviation Approval form submitted: <table><tr><th>Supplier Name</th><th>Amount</th><th>Cheque Number</th></tr><tr><td>DPD Laser Express Log 1/A Time Freight</td><td>R5.650,2</td><td>28109</td></tr></table> 3 Quotations have also not been obtained for the following awards between R20,000 and R200,000 with no Deviation Approval forms submitted: <table><tr><th>Supplier Name</th><th>Amount</th><th>Cheque Number</th></tr><tr><td>TNK Attorneys</td><td>R98.000,00</td><td>35602</td></tr></table> This is mainly due to the Supply Chain Management Regulations not being implemented on all procurement procedures at the municipality. This results in Non-compliance with the Municipal Supply Chain Management Regulations and the possible understatement of irregular expenditure.</p>	Supplier Name	Amount	Cheque Number	DPD Laser Express Log 1/A Time Freight	R5.650,2	28109	Supplier Name	Amount	Cheque Number	TNK Attorneys	R98.000,00	35602	Yes	31-Mar-17	30-Apr-17	0%	50%	CFO-Roelof Doroshin	BTO	A 100% expenditure payment verification has been done for the period July 2016 - March 2017. Internal Audit still found cases where deviations were not identified and approved. A separate list for deviations, as identified by Internal Audit, will be taken to Council for adoption.																		
Supplier Name	Amount	Cheque Number																																								
DPD Laser Express Log 1/A Time Freight	R5.650,2	28109																																								
Supplier Name	Amount	Cheque Number																																								
TNK Attorneys	R98.000,00	35602																																								



**Project OPCAR (Operation Clean Audit Ref)**

**Joint Action Item List (JAIL)**

Municipal Manager: Mr Chris Fortuin

Date: 31-May-17

Purpose: The purpose of the JAIL is to track the allocation and status of project actions

Task identified	Work in progress	Completed

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 March 2017	Progress as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
<b>QUALIFICATION</b>													
42	Deviations not reported to Council and not disclosed in the AS		Procurement	It was confirmed through the Procurement testing procedures performed that the following suppliers and vendors have not been disclosed in the annual financial statements: THK Motenari - R98,000 - 304532 This is mainly due to the fact that the Regulations on Supply Chain Management were not implemented in the Municipality. This results in non-compliance with the Municipal Supply Chain Management Regulations. This also results in the misstatement of the financial statements, understatement of deviation expenses.	No	N/A	N/A	100%	100%	100%	CFO-Rajiv Datadin	BTO	Exception noted in 5 above: payment to THK Motenari.
43	People in service of the state not disclosed on the AS		Procurement	It was confirmed through the Procurement testing performed that some of the winning providers have not been disclosed in the annual financial statements, below for all of these providers: Winning Provider Amount of Award Person's services of the state: Inflation US Plus Ltd CC 81,600 (Spouse of Leonard S) (Director) Department of Health Winning Provider Amount of Award Person's services of the state: Inflation Nemo-Deo San. Construction and Supplies (Pty) Ltd R225,558 (Nkomo) (Co-owner) South African Police Department However, through inspection of the financial statements, it was confirmed that none of the above providers were disclosed in the annual financial statements. This results in non-compliance with the Municipal Supply Chain Management Regulations by the Municipality. This results in non-compliance with the Municipal Supply Chain Management Regulations as well as the misstatement of the annual financial statements.	Yes	31-Mar-17	N/A	0%	100%	100%	CFO-Rajiv Datadin	BTO	Disclose the service provider / supplier in the service of the state in the AS. AS updated. Supporting evidence obtained. Note 34 to the Annual Financial statements.
44	No reasons provided for under achievement of indicators		Pre-determined Objectives	The following indicators had targets which were not achieved as per the stated objective and no reason for the under achievement was provided in the annual performance report: Indicator 2: Managed target per SDBIP. Planned targets as per annual performance report: Appointment of Service Provider to manage program and implementation of 2015/16 BRAMS grant funding: % of expenditure on the program and implementation of 2015/16 BRAMS grant funding by 30 June 2016: 100% : 94,41% Indicator 3: 2015/2016 the grant spent as per approved business plan from 4-Municipalities by 30 June 2016: % of the grant spent: 100% : 74,5% Reasons were not provided for the under achievement of the indicators: The impact of the above: (a) Non-compliance with the MSA. (b) Incomplete information regarding performance information indication. (c) Internal control deficiency. Financial and performance management The municipality did not prepare regular, accurate and complete financial and performance reports and are supported and evidenced by reliable information.	Yes	31-Mar-17	N/A	0%	50%	50%	Director LED Projects, Planning and Tourism	LED/SDBIP	The 100% variance could not be proven by management. Management to ensure that reasons are provided for under-achievement. The current Organizational system, Ignite, allow for reasons to be provided for under-achievement and actions taken to address these poor performances however, Internal Audit reviewed the 2016/17 MSA and found that these are not always completed.
45	Inconsistencies between planned and reported targets		Pre-determined Objectives	Section 41(c) of the Municipal Systems Act requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. The following inconsistencies were identified between the SDBIP and the Annual Performance Report: Indicator 2: Target as per SDBIP: 100% Indicator 3: Target as per SDBIP: 100% The cause of the above is: Due to lack of review of completed documents. The impact of the above is: This leads to non-compliance with MSA.	Yes	31-Mar-17	N/A	0%	100%	100%	Director LED Projects, Planning and Tourism	LED/SDBIP	Internal Audit reviewed the mid-year performance assessment report and found that there are no discrepancies with planned targets as per the SDBIP and the targets as per the mid-year performance report.



# Project OPCAR (Operation Clean Audit Ref)

Joint Action Item List (JAIL)

Municipal Manager: Mr Chris Fortuin

Date: 31-May-17

Purpose: The purpose of the JAIL is to track the allocation and status of project actions

Project OFCAR (Operation Clean Audit) Reg Joint Action Item List (JAIL) Municipal Manager: Mr Chris Fortuin Date: 31-May-17 Purpose: The purpose of the JAIL is to track the allocation and status of project actions												
EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
QUALIFICATION												
18	Accrual not provided for in the prior year		Operating Expenditure	The following invoice included in the current year expenditure relates to 2015. Invoice No.: 730N/0003035 Invoice date: 30/05/2015 Supplier: Mubeso Africa Invoice amount: R 22 800 No accrual was raised for this for the previous financial year. Management did not review if all expenses and revenue transactions is recorded in the correct period. This results in an overstatement of expenditure.	No	31-Mar-17	31-Aug-17	0%	0%	Chief Financial Officer – Regis Daband and Senior Accountant – Colin Brown	BFO	The Accruals list to be updated. Internal Audit to review whether accruals are identified on the 2016/17 AFS.
19	Input VAT incorrectly claimed		Operating Expenditure	1. VAT was wrongly claimed on the following transaction as the municipality only acted as an implementing agent. Supplier name: MANAGING FOR EXCELLENCE CONTRACTORS SERVICES Description Date: 24/02/2016 Rel: R99100030313 42 892 2. VAT was not claimed on valid VAT invoice and therefore Fulfiller and VAT. Supplier name: WESSELSSMITH RING LEGAL FEE Description Date: 20/04/12 Rel: R99100030705 272 The invoice was processed incorrectly. This results in the incorrect amount of VAT claimed from SARS.	No	31-Mar-17	30-Apr-17	0%	0%	CFO-Regis Daband	BFO	Management to rectify the incorrect VAT on the Managing for Excellence payment. Internal Audit also noted that the exception for legal fees paid to Wessels & Smith Inc. remained.
20	Cut-off error		Payables	The following transactions were only recognised after year end even though they relate to invoices received before year end: Supplier name: Abrahams Eau Hospital Description: 1. Until 22/07/2016 2. 23/07/2016 3. 24/07/2016 4. 25/07/2016 5. 26/07/2016 6. 27/07/2016 7. 28/07/2016 8. 29/07/2016 9. 30/07/2016 10. 31/07/2016 11. 01/08/2016 12. 02/08/2016 13. 03/08/2016 14. 04/08/2016 15. 05/08/2016 16. 06/08/2016 17. 07/08/2016 18. 08/08/2016 19. 09/08/2016 20. 10/08/2016 21. 11/08/2016 22. 12/08/2016 23. 13/08/2016 24. 14/08/2016 25. 15/08/2016 26. 16/08/2016 27. 17/08/2016 28. 18/08/2016 29. 19/08/2016 30. 20/08/2016 31. 21/08/2016 32. 22/08/2016 33. 23/08/2016 34. 24/08/2016 35. 25/08/2016 36. 26/08/2016 37. 27/08/2016 38. 28/08/2016 39. 29/08/2016 40. 30/08/2016 41. 31/08/2016 42. 01/09/2016 43. 02/09/2016 44. 03/09/2016 45. 04/09/2016 46. 05/09/2016 47. 06/09/2016 48. 07/09/2016 49. 08/09/2016 50. 09/09/2016 51. 10/09/2016 52. 11/09/2016 53. 12/09/2016 54. 13/09/2016 55. 14/09/2016 56. 15/09/2016 57. 16/09/2016 58. 17/09/2016 59. 18/09/2016 60. 19/09/2016 61. 20/09/2016 62. 21/09/2016 63. 22/09/2016 64. 23/09/2016 65. 24/09/2016 66. 25/09/2016 67. 26/09/2016 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**Project OPCAR (Operation Clean Audit Ref)**  
**Joint Action Item List (JAIL)**  
**Municipal Manager: Mr. Chris Fortuin**  
**Date: 31-May-17**

**Purpose:** The purpose of the JAIL is to track the allocation and status of project actions

Task Identified  
Work in progress  
Completed

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
<b>QUALIFICATION</b>												
10	Standard operating procedures		Unidentified Expenses	Through procedures performed over performance information it was noted that there was not any system in place to collect performance information per objective. No evidence was filed in the evidence file. Standard operating procedures must be established based on the requirements of the Framework set out above. However, the municipality does not have documented standard operating procedures as required by the framework for the following performance indicators for the Department of Infrastructure and Public Works: 1. Maintained and cleaned about 120km storm water in 7 settlement of Nama-khoi Municipal area while created at least 9 FETs - Creation of 9 FETs (full time Equivalent) through maintenance and cleaning of 120km storm water in 7 settlements of Nama-khoi Municipal area by 30 June 2016 2. An established Office Joint Municipal Planning Tribunal (J.M.P.T.) before October 2015 - Number of cases heard by the J.M.P.T. before October 2015 3. A standardised process to guide performance processes for specific indicators was not established. This results in non-compliance with the Framework for Managing Programme Performance Information.	No	31-May-17	n/a	0%	50%	Director LED Projects, Planning and Tourism	LED/ODBP	The SOP for Organizational Performance Management is in place. The measures and calculations have been identified. However, management will ensure that the calculation and calculation of technical indicators are identified.
11	Differences in Budget Disclosure		Financial Statements and disclosure	According to GRAP 24, the municipality should disclose a budget v actual comparison in the financial statements, either as part of the primary statements or as statements on their own. It was confirmed through inspection of the budget statements and through recalculation performed that the following line items were not correctly disclosed in the financial statements: 1) Statement of Composition of Budget and Actual amounts - Statement of Financial Position Financial Statement Line Item: Actual Outcome as % of Final Budget - As per AFS: Actual Outcome as % of Final Budget - As per Recalculation Total Current Assets: 31.13% : 31.13% 2) Statement of Composition of Budget and Actual Amounts - Cash flow Statements Financial Statement Line Item: Actual Outcome as % of Final Budget - As per AFS: Actual Outcome as % of Final Budget - As per Recalculation Finance Charges: 100% : 93.33% This is mostly due to the revenue and expenditure figures of the implementing agent transactions that is incorrectly disclosed on the Budget Financial Statements. This finding will result in non-compliance with GRAP 24 as well as the overall statement/understatement of several amounts as per the Statement of Composition between Budget and Actual amounts.	No	31-May-17	n/a	0%	100%	CFO/Kopj. Datafin	BTO	To correct the items on the AFS for Total Current Assets and the percentage of Finance Charges. Corrected on the AFS. Supporting evidence provided.
12	The prepaid expenses are not provided for in the prior year		Operating Expenditure	No prepaid expense was created in the prior year for the expense which relates to the current year. The prepaid expense was created in the prior year for the year ended 17/06/2015 for an amount of R437,76 and was expensed in 2015. Invoice Number: Invoice date Invoice amount IN405542 17/06/2015 R 437,76 Management did not review all expenses and revenue transactions is recorded in the correct period. Management did not review all expenses and revenue transactions is recorded in the correct period. Management did not review all expenses and revenue transactions is recorded in the correct period. Management did not review all expenses and revenue transactions is recorded in the correct period. Lock of proper prepaid expenditure list can result in an understatement of expenditure and an understatement of prepaid expenditure.	No	31-May-17	31-Aug-17	0%	0%	Supply Chain Senior Clerk	BTO	Management comments and corrective measures do not relate to the exception raised. The exception relates to prepaid expenses not identified and accounted for as such, whereas the comments relate to the procurement of accommodation and sports obtained. Management must therefore keep a prepaid filing for all annual fees and recurring expenses during the year paid in advance. Inland should check with the compilation of the 2016/17 AFS whether prepaid expenses were identified.
13	Cut-off error		Operating Expenditure	The following transactions were recognized in the incorrect accounting period: 1. Identified during the testing of Recurring expenses - IMS License fees and Maintenance Invoice date Description Invoice reference End Amount 17/06/2015 IMS Support & Maintenance - April 2015 IN405412 RNP0100028198 2. Identified during the testing of Recurring expenses - Water, Electricity and Licenses 2.1. Prior expenditure recorded in the current year. Vole number: Vole Description: Reference: Transaction Description: Debit amount: Invoice date 1305201094605: WATER / ELECTRICITY / SANITATION: RNP0100027946: HANTAM MUNISPALITEI: 1305201094605: 23/06/2015 1305201094605: WATER / ELECTRICITY / SANITATION: RNP0100027946: HANTAM MUNISPALITEI: 1305201094605: 23/06/2015 1305201094605: WATER / ELECTRICITY / SANITATION: RNP0100028041: NAMA KHOI MUNISPALITEI: 1305201094605: 29/06/2015 1305201094605: WATER / ELECTRICITY / SANITATION: RNP0100028041: NAMA KHOI MUNISPALITEI: 1305201094605: 29/06/2015 2.2. Nama Khoi Municipality expenditure (Water, Electricity and Sanitation) for June 2016 not recognised in the current period or on the account at year end 30 June 2016. Invoices are processed on payment date and not on invoice date. This results in the misstatement of expenditure and trade payable.	No	31-May-17	30-Apr-17	0%	0%	Senior Accountant - CFO - Kopj. Datafin	BTO	Management agree to record expenses in the correct financial year. Journal to be passed and obtained.



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EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 March 2017	Progress as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
<b>QUALIFICATION</b>													
56	Investment Property Findings: Completeness		Internal Control	A listing of all properties owned and rented out by the municipality was obtained from Bethuizenhout, the following findings have been noted: During calibration could not be traced to the David Borch performed or the fixed asset register. As per Client listing obtained Name of Tenant: Property Number / Sheet/ C/O: G. R. van der Merwe / 110530-1 G. R. van der Merwe / 110530-1 This is mostly due to a lack in internal controls regarding the transfer between investment property and property, plant and equipment. The internal control issue may result in the financial statements being overstated and the investment property being understated.	No	31-Mar-17	n/a	0%	100%	100%	CFO-Kajay, Datschin	BTO	Management agrees to rectify the errors on the Investment property lead sheet register. Bf 428 is a sub-divided erf and will therefore not reflect on a deed search. Supporting evidence obtained. Internal Audit received the contract between Matrooskwa District Municipality and J. Cloete and the agreement is inserted in place.
55	Controls over wages		Internal Control	During the wage testing it was noted that the fixed wage list/register with the list of wage earners is not complete. The two employees selected for testing: A Born and G Strauss were not noted on this listing. The following regarding these 2 employees was also noted: -There was no employee file for A Born. -There was no employee file for G Strauss. No fixed register/list and employee files are kept for non permanent staff. A lack of internal controls to mitigate ever present risks regarding temporary workers and to prevent payments to fictitious employees.	Yes	31-Mar-17	30-Apr-17	0%	50%	50%	Human Resource Division	Corporate Services	Contract workers who were raised in the exception relates to appointees in the Contract team who do not have employment contracts or appointment letters. The internal audit team has requested that the HR department ensure that all contract workers at Calabie and not for the Spangkop office and no employment contracts or appointment letters has been issued.
17	Discrepancies during unpaid leave testing		Internal Control	During testing the following was noted: The employee took unpaid leave from 29 September 2015 and is currently still on unpaid leave. The payroll system indicates that unpaid leave for the employee only started on 1 October 2015. No unpaid leave was recorded from 29 September until 25 October 2015. There should also be an approved leave form for each day that the employee takes leave. The municipality only completed a memo to the HRD and did not update and on some occasions on for such 15 consecutive days of unpaid leave taken. The employee's annual leave days should be reduced by one day. However it was noted that the Payday system still allocated 2 leave days to the employee for each month. The unpaid leave was not communicated to the human resource department. This results in non-compliance of the MFMA due to the internal controls for leave that are not properly performed.	Yes	31-Mar-17	30-Apr-17	0%	50%	50%	Human Resource Division/Payroll	Corporate Services/BTO	The unpaid leave is being followed up by the employee (leave not been claimed yet) and once supporting documentation obtained, the number of days has been deducted by HR.
21	Inufficient support obtained		Internal Control	Sufficient supporting documentation needs to be supplied by the Municipality. Only the Invoice number C/N201 (CHV/C152) was obtained as supporting documentation for the following transaction: Date Description Reference Note 11/05/2017 090305 - 608AL ACCOUNT ASSET MANAGEMENT F/RM/100029538 2015/1/1/26 R 3,632.59 There is insufficient record keeping and filing of the supporting documentation. The result in supporting documentation that cannot be used to test all the auditing procedures.	No	31-Mar-17	30-Apr-17	0%	0%	50%	CFO-Kajay, Datschin	BTO	Internal Audit reviewed all payment files from 1 July 2016 – 31 March 2017 and found that some payment documents were not on file.
01	Internal memo not signed		Internal Control	According to the Municipal Finance Management Act the accounting officer should ensure that all internal memos are signed by the accounting officer or an authorised representative. The internal memo compiled for a Engelenbeest resignation was not signed by G. Bullen the Supervisor for salaries. The accounting officer did not ensure that all internal memos are appropriately signed. This results in non-compliance with the MFMA. Documents that are not signed for proof of review and confirmation may include areas that will need to be corrected.	Yes	31-Mar-17	30-Apr-17	0%	25%	100%	CFO-Kajay, Datschin	BTO	Internal Audit reviewed the files relating to changes to salary information and found that all memos are signed as reviewed by the supervisor for July 2016 up to May 2017.



**Purpose:** The purpose of the JAIL is to track the allocation and status of project actions

2018-03-27

# Project OPCAR (Operation Clean Audit Ref)

## Joint Action Item List (JAIL)

Municipal Manager: Mr Chris Fortuin

Date: 31-May-17

Purpose: The purpose of the JAIL is to track the allocation and status of project actions

Project OPCAR (Operation Clean Audit Ref)													
Joint Action Item List (JAIL)													
Municipal Manager: Mr Chris Fortuin													
Date: 31-May-17													
Purpose: The purpose of the JAIL is to track the allocation and status of project actions													
EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 March 2017	Progress as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
32	32		Internal Control	According to the Municipal Finance Management Act the accounting officer should ensure that appropriate internal controls are in place. The following employee files were requested, but could not be obtained: V006 CLAESSEN B V006 CORLEEE C V007 VAN NIK FJ V010 MILLER CE V011 VAN NIK E V009 DICKHOFF DA V011 DU PRAAL JH V004 VAN DER SANDT JA V003 SMITH SA V002 VAN NIK GJM V002 BASSON NJ V009 NEUWOUT HJ V009 OLIVER CJ V002 THORNTON F V002 VAN NIK E V002 LOWY TJ V004 LEURSE JA V018 LAURSCHE E V001 STRAUSS WA V002 VAN NIK E V003 LOWY TJ V004 BONTJA CJ V002 CLOETE ARL V002 THORNTON F V002 VAN NIK E There is no trace that the employees were actually employed by the municipality.	No	31-Mar-17	30-Apr-17	0%	50%	75%	Director Corporate Services	Corporate Services	Files for all personnel have been completed but not all information has been obtained for the personnel. Management have been able to collect information of 22 pensioners out of the 38 active pensioners.
33	33		Internal Control	There were no performance practices evidence in place for the following employees in their employee files: 1. Engelbrecht DV - 1113 Senior clerk, assets and income 2. O'Connell M - 1113 Senior clerk, assets and income 3. O'Connell M - 1113 Senior clerk, assets and income 4. Bansen M - 1364 Senior registration clerk 5. Boud D - 1365 Senior clerk, credits 6. Boud D - 1365 Senior clerk, credits 7. Boud D - 1365 Senior clerk, credits 8. Boud D - 1365 Senior clerk, credits 9. De Wiese M - 1075 Project manager work for water 10. Molekots 1164 Human resource official No performance agreements were agreed with the employees. This could impact negatively on service delivery.	Yes	31-Mar-17	31-May-17	0%	0%	0%	Director Corporate Services	Corporate Services	Although it is legislatively required that only Senior Managers and the MM have performance agreements it is best practice for all employees at an entity to sign performance agreements. Management have been able to collect information of 22 pensioners out of the 38 active pensioners.
34	34		Internal Control	The following policies and procedures have not been reviewed by the Council in the preceding financial year: Policy Date approved by council Housing subsidy: 26 August 2010 Housing subsidy policy: 26 August 2010 Housing subsidy policy: 26 August 2010 This results in policies not being aligned with any changes that may have occurred in the municipality or changes in legislation.	No	31-Mar-17	n/a	0%	100%	100%	Ray Daladin - Chief Financial Officer	BFO	Management will ensure that the Housing subsidy policy is included in the updated financial policy document and is reviewed by the new Council in their strategic financial policy (SFP) discussed and CFO submitted the Council resolution on 20 October 2016 where all Finance policies were discussed and adopted by Council.
35	35		Internal Control	It was confirmed through the evaluation performed on the internal control relating to the Procurement and Contract Management processes that Dane Fortuin is the only employee with access to the supplier master database and that he is the only employee with access rights to add, delete and/or make changes to suppliers on the supplier Masterfile. This is mainly due to the Head of the SCM Department leaving the municipality during the 2015/16 financial period as well as the switching to a new system on 1 July 2016. This also occurred due to the improper implementation of IT security controls. This may result in unauthorised changes being made to the supplier Masterfile which in turn may impact the Procurement processes due to a lack of segregation of duties.	No	31-Mar-17	30-Apr-17	0%	50%	50%	Chief Financial Officer - Ray Daladin	BFO	An employee have been moved to the SCM Department to ensure adequate segregation of duties. The supplier Masterfile has been amended to ensure capturing and / or review and approval of changes to the system authorisation code to be obtained.
36	36		Internal Control	Mr. Molekots 1164 Boud will be used to sign on the bank account of the Municipality. In this regard the Municipality does not maintain a register for the purpose of keeping track of employees that is still on the system and who have signing rights. This results in non-compliance with the MFMA.	No	31-Mar-17	n/a	0%	100%	100%	Accountant - Colene Janßen and CFO - Ray Daladin	BFO	Management will follow up with ASBA Bank to ensure that Mr. Boud is removed as a signatory on the bank account. Record forwarded to ASBA and confirmation received from the official (Jillina Boud) that Mr. Boud is removed from the bank account. As per supporting evidence received Mr. Boud is removed from ASBA Bank.



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EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 May 2017	Responsibility	Department within the Municipality	Remarks																												
QUALIFICATION																																								
29	Issues noted during appointment process		Internal Control	We were unable to confirm whether all formal procedures were followed during the appointment process. The following was noted: For JP Farmer: The following was not attached in the employee file i. Appointment form ii. Application form As there is no advertisement, there is no indication of the salary scale of the vacant post. Interview documentation There was no advertisement; there was no indication of whether the employee met the requirements for the position. A verification process covered at least the following: i. Criminal record check ii. Financial/cast record checks iii. Previous employment verification (reference checks) For E Mouton: The following was not attached in the employee file: A verification process covered at least the following: i. Criminal record check ii. Financial/cast record checks iii. Previous employment verification (reference checks) An advertisement for the post Interview documentation The recruitment process covered at least the following: i. Criminal record check ii. Financial/cast record checks iii. Previous employment verification (reference checks) Appointed procedures not followed / or documentation not filed appropriately. The recruitment process can be compromised	Yes	31-Mar-17	30-Jun-17	6%	56%	Director Corporate Services	Corporate Services	Internal audit found that for all appointments (political and normal), criminal record check, financial/cast records check, qualification/integrity verification and previous employer verification (reference checks) has been performed and the checklist completed and signed off.																												
28	Leave taken before the leave was approved		Internal Control	According to the Municipal Finance Management Act the accounting officer should ensure that appropriate internal controls are in place to ensure that transactions are appropriate, and approved. There were taken before it was approved for the following employees: <table><thead><tr><th>Name</th><th>Type of leave taken</th><th>Date taken from</th><th>Leave term approved by:</th></tr></thead><tbody><tr><td>Bale</td><td>Approved</td><td></td><td></td></tr><tr><td>1002 Sani, E Arnold</td><td>On-Job-Less</td><td>A Brown</td><td>02-Jun-16</td></tr><tr><td>1013 Vermeulen, L J Overline</td><td>16-May-16</td><td>J Louber</td><td>21-Jan-16</td></tr><tr><td>1217 Skousat, A Accommodated</td><td>18-April-16</td><td>E G Cloete</td><td>29-Jul-16</td></tr><tr><td>1217 Skousat, A Long service</td><td>02-Jul-15</td><td>E G Cloete</td><td>09-Jul-15</td></tr><tr><td>1217 Malherbe, IC Unpaid leave</td><td>24-Oct-15</td><td>LJ Vermeulen</td><td>27-Oct-15</td></tr></tbody></table> The leave request was either sent late or the approval was late. Employees may take unauthorised leave without the necessary approval.	Name	Type of leave taken	Date taken from	Leave term approved by:	Bale	Approved			1002 Sani, E Arnold	On-Job-Less	A Brown	02-Jun-16	1013 Vermeulen, L J Overline	16-May-16	J Louber	21-Jan-16	1217 Skousat, A Accommodated	18-April-16	E G Cloete	29-Jul-16	1217 Skousat, A Long service	02-Jul-15	E G Cloete	09-Jul-15	1217 Malherbe, IC Unpaid leave	24-Oct-15	LJ Vermeulen	27-Oct-15	Yes	31-Mar-17		7%	50%	Director Corporate Services	Corporate Services	Memo's based on email as well as a memo requesting applications for leave to be submitted prior to the start date of the leave period. If the applicant can't complete the application on Payday, a word document is completed and signed by the official/superior as evidence of obtaining approval for leave. These are filed on the employee file. All requests must be processed and approved by the relevant individual go on annual leave without prior completion and approval of a leave application.
Name	Type of leave taken	Date taken from	Leave term approved by:																																					
Bale	Approved																																							
1002 Sani, E Arnold	On-Job-Less	A Brown	02-Jun-16																																					
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10	NFAC did not meet four times for the financial year		Internal Control	The NPAC committee only met three times for the current financial year (31 July 2015, 3 November 2015 and 18 April 2016). The members did not meet for the fourth meeting as required. This results a non-compliance with the mandate for the committee.	No	31-May-17	31-May-17	0%	50%	Municipal Manager - C contin.	Office of the MMH	As at 31 May 2017, NPAC has met 2 times.																												

# Project OPCAR (Operation Clean Audit Ref

## Joint Action Item List (JAIL)

Municipal Manager: Mr Chris Fortuin

Date: 31-May-17

Purpose: The purpose of the JAIL is to track the allocation and status of project actions

Task identified				Work in progress				Completed			
EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 March 2017	Progress as at 31 May 2017	Remarks
<b>QUALIFICATION</b>											
64	Useful lives differ from the accounting policy		Property, Plant and Equipment	It was confirmed through the testing performed on the useful lives of the assets that the following assets useful life differs from the useful lives as disclosed in the accounting policy: Asset Description: SANDOOR - WILSTON - (VOORHEEN LINIE) Useful life as per Fixed Asset Register: 50 years Useful life as per the accounting policy in the annual financial statements: 15-20 years (Community: Other Asset) This is a matter due to the improper implementation of internal controls over the Fixed Asset Register, as well as the lack of internal controls over the useful life of the assets. This will result in non-compliance with GFAE 17: Property, Plant and Equipment.	No	31-Mar-17	N/A	0%	100%	100%	Management agree to change the description of the asset on the asset register. The accounting policy have been corrected by Number 23 of the 455.
65	GAAP disclosure checklist (1)		Disclosure	As per evaluation of compliance with GAAP requirements the following was noted: The entity's principal activities are not disclosed. No sufficient time was available to review the financial statements before submission. This results in non-compliance with GAAP 11: Disclosure requirements of the financial statements.	No	31-Mar-17	31-Aug-17	0%	0%	0%	The Municipality's principal activities are supposed to be disclosed to be disclosed in the 2016/17 AGS.
66	Provision for Bad Debt not complete		Receivables	Through testing performed on Receivables, as well as Provision for Bad Debt, it was noted that management did not include all debtors identified for possible impairment in the specific provision for bad debts. Name : Account Number: Service: Total Service Debt: N/A NIE/NOUDT F J 900045 25,807.85 Although management complied with CGAP 104 by performing an evaluation, they did include the debtors in the provision for bad debts. However, the debtors were not included in the Debt list. As of the debtors in the Evaluation list, was agreed to the Provision calculation, it was noted that this is the only misstatement. Extrapolation is thus not necessary. Through discussion with Raji Dabodini (CFO) it was noted that this was due to human error, and should be corrected. As CFO's final adhered to, this could lead to an overstatement of Receivable / Debit balance at year end.	No	31-Mar-17	30-Apr-17	0%	0%	0%	Management agree to correct the item for the provision for doubtful debt.
67	Amounts recognised as revenue to supporting documentation		Revenue	Contract: Recognised accounting Practices - Revenue from exchange transactions (CGAP %) Revenue shall be measured at the fair value of the consideration received or receivable Through testing performed on revenue from rental agreement: Lack of support The following supporting documentation could not be obtained to confirm the validity of revenue recognised: As per billing/investigation report - Rand Sep 2015 WSK VR WATER - 280.00 Testing performed The following rental of office buildings was reconciled based on rental agreements received: Contract name: Commencement Escation Amount as per supporting documentation: Escalated amount: Amount as per billing/investigation report: Difference UNIES SPRINGBOK: 01/07/1999: 106: 800.00: 5,675.96: 3,341.81: 334.17 UNIES SPRINGBOK: 22/03/2002: 106: 1,000.00: 3,797.50: 4,177.25: 379.80: 313.87 Total difference will be extrapolated: Contract name: Total tested: Total revenue from offices: Extrapolated misstatement 313.87 10,230.92 300,021.89 15,339.76 Housing income Misstatement: Total tested: Total revenue from housing: Extrapolated misstatement 313.87 10,230.92 300,021.89 15,339.76 This was caused due to a lack of controls over the billing process. This results in overstatement or understatement of revenue.	No	31-Mar-17	30-Apr-17	0%	0%	0%	Management agree to investigate contracts where there are differences in rental income. A rental agreement to be compiled for the R280.
68	Deposit recognised as revenue within 36 months		Revenue	Any unclaimed deposit need to be recognised as a liability for the first 36 months before the deposit can be recognised as revenue. Reference: Transaction Type: Transaction Date: Credit Amount: 2016/17: R21,027.70 was recognised as revenue on the 18 March 2016. Vole number: 1103302265430 - Cash Receipts - Sundries BK: 200136282: 20140318: 21,037.70 Therefore the deposit was not recognised as a liability for the first 36 months. Management did not consider the accounting policy on unclaimed deposits. This results in an overstatement of revenue and understatement of liabilities.	No	31-Mar-17	N/A	0%	100%	100%	Management agree to add a condition for the amount. The Accountant rectified the error. Supporting evidence provided on repayment same to Alex.



**Project OPCAR (Operation Clean Audit Ref)**  
**Joint Action Item List (JAIL)**  
**Municipal Manager: Mr Chris Fortuin**  
**Date: 31-May-17**

**Purpose:** The purpose of the JAIL is to track the allocation and status of project actions

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 March 2017	Progress % as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
<b>QUALIFICATION</b>												
30	Payments not made within 30 days			Regulation 6.2.3 of the Treasury Regulations GN 225 of 15 March 2005: Amendment of Treasury Regulations in terms of Section 74, states that: "Unless determined otherwise in a contract or other agreement, all payments due to creditors must be paid within 30 days, from the date of receipt of an invoice or, in the case of civil claims, from the date of settlement or court order". Contrary to the above, the following delinquencies were noted: a) During the audit of expenditure - Project development the following invoice was identified to be paid after 30 days: R41, Incubator Armoort: Invoice date: Payment date: Day: Outstanding CONTRACTORS SERVICES: 24/03/2016: R190,000:00:00: 11/4/2017: 12015: 18/01/2016: 55 FINANCE MANAGEMENT GRANT: 18/01/2016: R190,000:00:00: 11/4/2017: 12015: 18/01/2016: 55 LEGAL FEES: 12/04/2016: R190,000:00:00: 22/3/2016: 04/03/2016: 11/04/2016: 38 WATER / ELECTRICITY / SANITATION: 27/09/2015: R190,000:00:00: 5/09/2015: 29/09/2015: 33 WASTE MANAGEMENT: 27/09/2015: R190,000:00:00: 5/09/2015: 29/09/2015: 33 Management did not ensure that all payments were made within 30 days. This resulted in non-compliance with the MFMA and Treasury Regulations.	Yes	31-Mar-17	30-Apr-17	0%	50%	Chief Financial Officer - Raymond Dordain	BTO	As per Internal Audit review of payment files for the period 1 July 2016 - 31 March 2017 it was found that some payments are still not paid within the 30 day timebound timeframe.
31	Councillor remuneration exceeds upper limit (1)		Compliance	The Nkandwa District Municipality was graded at level 3, according to the Government Gazette. The speaker's remuneration for the speaker of the council should not exceed R 606 410. During the audit of councillor remuneration the following was noted: PATROL - COUNCILOR MS JOSEPH / CARDINAL Salary and vehicle allowance as per pay slips DATE AMIESBERG NDM TOTAL Aug-15 15,173.74 32,571.58 47,745.32 Sep-15 15,173.74 32,571.58 47,745.32 Oct-15 15,173.74 32,571.58 47,745.32 Nov-15 15,173.74 32,571.58 47,745.32 Dec-15 15,173.74 32,571.58 47,745.32 Jan-16 15,173.74 32,571.58 47,745.32 Feb-16 15,173.74 32,571.58 47,745.32 Mar-16 15,173.74 32,571.58 47,745.32 Apr-16 15,173.74 32,571.58 47,745.32 May-16 15,173.74 32,571.58 47,745.32 Jun-16 15,173.74 32,571.58 47,745.32 Jul-16 15,173.74 32,571.58 47,745.32 Aug-16 15,173.74 32,571.58 47,745.32 Total 606,410.00 Upper limit - Speaker 606,410.00 The speaker thus received an amount of R 2013,60 more than the upper limit set by the government gazette. The speaker receives remuneration from Kamiesburg Local Municipality and Nkandwa District Municipality pay the councillor additional remuneration up to the upper limit. This is non-compliance with the Government gazette no.39548	No	31-Mar-17	30-Apr-17	0%	0%	Chief Financial Officer - Raymond Dordain	BTO	Management agrees to investigate the discrepancy noted on the salary payment made to the previous speaker. The CFO need to determine who did the overpayment: whether it was NDM or Kamiesburg.
41	Internal Control Deficiencies: List of Prospective Providers		Compliance	It was confirmed through inspection of the list of Prospective Providers provided by the municipality that the following supplier does not appear on this list: Supplier Name Victorian Guest Lodge Victorian Guest Lodge SA Allpa Obligate Guest House Coalition Trading 1238 CC Commodities Guest House The following suppliers were not included in the list of Prospective Providers. This is mainly due to the fact that the suppliers were not included in the list of Prospective Providers. This is mainly due to the fact that the suppliers were not included in the list of Prospective Providers. Confirmed through inspection that all 6 suppliers adheres to the Bidding requirements as per the SCM process. The following internal control deficiency regarding this will be raised: This may lead to award being made to prohibited suppliers which in turn may lead to irregular expenditure.	Yes	31-Mar-17	N/A	0%	100%	Supply Chain Clerk - Corne Fortuin	BTO	As per comments by the Auditor General, the specified suppliers who were not on the central supplier database is indicated as complying to the Bidding criteria.
57	Differences identified on Note 34 as per AIS		Disclosure	Through the testing performed on the MFMA Section 125 disclosures in the financial statements, the following differences were noted: 1) PAYE and UIF: -5548,81 / 60 Amount recalculated as per Note 34.4 -577,303.13 Difference -25,492.13 This is mainly due to the improper implementation of internal controls over the financial statement process. This results in non-compliance with the Municipal Finance Management Act.	No	31-Mar-17	N/A	100%	100%	Chief Financial Officer - Raymond Dordain	BTO	Management agrees to correct the disclosure difference of R25,492.13 on the Payroll. Management indicated that this was an error made by not adding company 4 UFF and PAYE Fig. 18 on AIS.

Project OPCAR (Operation Clean Audit Ref)									
Joint Action Item List (JAIL)									
Municipal Manager: Mr Chris Fortuin									
Date: 31-May-17									
Purpose: The purpose of the JAIL is to track the allocation and status of project actions									
Task identified				Work in progress					
Completed									

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % as at 31 March 2017	Progress as at 31 May 2017	Responsibility	Department within the Municipality	Remarks
42	QUALIFICATION User Access Control		Information Technology	<p>The following weaknesses were noted with regards to user account administration:</p> <ul style="list-style-type: none"> <li>The municipality had not developed a user account management procedure for the Domain Controller, Venus and Payday Intranet applications to give guidance on following: <ul style="list-style-type: none"> <li>Granting, modifying, change and revoking of user access</li> <li>Password reset</li> <li>User access reviews and privileges on the system</li> <li>User access review and login violations</li> <li>Review of access and login violations</li> <li>New user creation and profile changes were requested via an email user access forms were not utilized on the Venus application.</li> <li>There was no formal process followed to limit access on the Venus application.</li> <li>The following weaknesses were noted on the Domain Controller, Payday and Venus applications: <ul style="list-style-type: none"> <li>User access reviews were not performed to ensure that user access rights were aligned with their job responsibilities was not performed. As a result of lack of user reviews, through observation during the review of the system, it was noted that few random, client had access to desktop and approve transactions on the Venus Intranet.</li> <li>The review of the task files of the system administration responsible for granting user's access to the Domain Controller, Payday and Venus applications was not performed.</li> <li>Access and login violations were not monitored on the Domain Controller, Payday and Venus application.</li> </ul> </li> </ul> </li> </ul>	Yes	31-Mar-17	30-Jun-17	0%	50%	50%	Selby Makhoul Jeremy Wilbois and Martin Jansen	Corporate Services	Management will clearly document the SOP's regarding user account management. Management will look at creating SOP's for the clear documentation for user access requests, password reset and profile changes. Management will ensure that regular user access reviews take place and are documented on a continuous basis. Management will ensure SOP regarding the functions of H720 and H740. The IT Policies and SOP's has been compiled and is in draft. Management must workshop these with Councilors and the employees.
43	IT Service Continuity		Information Technology	<ul style="list-style-type: none"> <li>A disaster recovery plan (DRP) that ensures the municipality can resume its business operation in a timely manner in the event of a disaster or disruption was not developed.</li> <li>Although back-up was performed for the period under review for both the Venus and Payday applications, a formally documented backup procedure was not approved. Furthermore, the backup logs were not reviewed and the current process being implemented.</li> <li>Backup logs were not being monitored.</li> <li>The back-ups made were not taken off-site.</li> <li>Periodic restore of backups were not performed.</li> </ul> <p>Without an appropriately designed and implemented DRP, the municipality might not be able to recover the systems that support critical business processes in a timely manner. If backups are not taken off-site, this increases the risk that data cannot be retrieved in the event of a disaster. This may compromise the availability of the system and data.</p>	Yes	31-Mar-17	30-Jun-17	0%	50%	50%	Gareth Cloete	Corporate Services	Management will include IT in their existing Disaster Recovery Plan. Management will look at improving the back-up procedures to ensure sufficient back up data take place. The IT Policies and SOP's has been compiled and is in draft. Management must workshop these with Councilors and the employees.

TOTAL PROGRESS

4% 48% 57%



**Project OPCAR (Operation Clean Audit Ref)**  
**Joint Action Item List (JAIL)**  
**Municipal Manager: Mr Chris Fortuin**  
**Date: 31-May-17**

**Purpose:** The purpose of the JAIL is to track the allocation and status of project actions

Task identified	Work in progress	Completed

EX No.	Item	Impact on Audit Report	Classification	Description of finding	Reported in previous years (from)	Target Date	Revised Date	Progress % as at 31 January 2017	Progress % at 31 May 2017	Responsibility	Department within the Municipality	Remarks
<b>QUALIFICATION</b>												
51	Provision on debtors and creditors		Issues	The VAT balance in the financial statement need to include a provision for VAT for the debtors and creditors outstanding at year end. Due to the fact that the municipality is registered on the payment basis, we recalculated the VAT balance and compare it with the balance in the financial statements and noted the following difference: VAT on 301 Investments and refund outstanding: Net VAT on debtors and creditors: VAT receivable: 37,722:20,486: 397,418:374,702:20,688 Management did not provide for the VAT on the outstanding debtors and creditors. This results in overstatement of the VAT receivable.	No	31-Mar-17	N/A	0%	100%	N/A	N/A	N/A as management disagrees with the exception
52	Information Technology Governance		Information Technology	The following weaknesses were noted: • The municipality had not developed an IT governance framework that gives due consideration to the risks, processes and controls required to ensure IT value and improved service delivery. • Information Technology resources with municipal strategies and investment decisions was not developed. • The municipality had service level agreements with the following service providers: o Pay day o CICT o BCC However, there was no formalised service performance monitoring process to ensure that all services rendered by service providers were performed in line with stipulated terms of agreement. Furthermore, the Payday SLA expired in June 2013 and had not been renewed at the time of review. Where there is a lack of an approved IT strategy, IT may not be aligned with the performance and sustainability objectives of the municipality, and may not be integrated with the municipality's strategic and business processes. Additionally, management may not be able to monitor the value delivery of IT, evaluate significant IT investment and expenditure and monitor the return on investment from significant IT projects. Where an IT governance framework is not in place, IT risks may not be known, identified, assessed and managed. This may result in the IT that may not be in place. Consequently the availability, confidentiality and integrity of systems and data may be compromised. Failure to adequately define and effectively manage SLAs may result in service providers not delivering on their obligations to the municipality. This may impact on the municipality's ability to effectively support the municipality. Furthermore, without updated SLAs that clearly defines the responsibilities of the service provider, service delivery may not meet business expectations or comply with the service level agreement framework. In addition, the municipality may not be able to hold the service provider accountable for some of the services.	Yes	31-Mar-17	30-Jun-17	0%	50%	Gareth Cloete	Corporate Services	Management will look at putting a service level management process in place to continually monitor and review the level of service delivered. Management will look at putting the IT Governance Framework in place. The IT Policies and SOPs has been compiled and is in draft. Management must workshop these with Council and the employees.
53	Security Management		Information Technology	• Although the municipality had an approved IT security policy in place, however the policy was not communicated to all users. Furthermore, the following was not included in the policy: o A process to ensure that update of all systems are up to date (i.e. patch management process) o Password and authentication configuration settings o Management of privileged users o The management procedure • The management procedure for the Domain Controller, Venue and Payday financial applications was requested during the audit but was not provided. o Password security o Audit log settings o User generated list of users o User generated list of users • Management indicated that the firewall logs were reviewed on a regular basis; however, evidence of these reviews was not kept. Furthermore, the activities of the firewall administration were not monitored.	Yes	31-Mar-17	30-Jun-17	0%	50%	Belie Bessendenhoof, Jeremy Wilboost and Martin Jansen	Corporate Services	Management will ensure that the policy is updated, proper communication is done to all users, review of firewall logs are done and that the documentation for the Domain Controller, Venue and Payday are kept in separate files for audit purposes. The IT Policies and SOPs has been compiled and is in draft. Management must workshop these with Council and the employees.



## APPENDICES

### APPENDIX A: COUNCILLORS COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Municipality/Council	Council Member	Full Time/Part Time + Committee	Attendance
Namakwa Distriksmunisipaliteit	MNR BENTLEY VASS	Full-Time Executive Mayor Budget en Treasury	24 November 2016 31 Maart 2017 75%
Namakwa Distriksmunisipaliteit	(ME) MAGDALENA GROENEWALD	Full-Time Speaker	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Namakwa Distriksmunisipaliteit	(ME) HELEN J JACK	Part-Time	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Namakwa Distriksmunisipaliteit	MNR CYRIL R WARNE	Part-Time Corporate	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Namakwa Distriksmunisipaliteit	MNR CHANDRÉ K KLAASE	Part-Time	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Namakwa Distriksmunisipaliteit	(ME) ANNA M BEUKES	Part-Time Budget en Treasury	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Hantam Munisipaliteit	(ME) GERALDINE GOUS	Part-Time MPAC Economic Development	31 Maart 2017 25 Mei 2017 75%
Khâi-Ma Munisipaliteit	(ME) ADEL S ROOI	Part-Time Executive Mayoral Committee Social Development	24 November 2016 31 Maart 2017 75%
Kamiesberg Munisipaliteit	(ME) SUSARAH C NERO	Part-Time MPAC	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Nama Khoi Munisipaliteit	(ME) GILLIAN Y PIETERS	Part-Time Executive Mayoral Committee Economic Development	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Nama Khoi Munisipaliteit	MNR CHARLES G COETZEE	Part-Time Corporate Budget and Treasury	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Nama Khoi Munisipaliteit	MNR GERT J COETZEE	Part-Time MPAC Social Development	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Nama Khoi Munisipaliteit	(ME) ZUIE P DE JONGH	Part-Time Economic Development	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Karoo Hoogland Munisipaliteit	MNR JEREMIA E DAVIDS	Part-Time Budget and Treasury Social Development	24 November 2016 31 Maart 2017 25 Mei 2017 100%
Richtersveld Munisipaliteit	MNR WILLEM J LINKS	Part-Time Executive Mayoral Committee Corporate	24 November 2016 31 Maart 2017 25 Mei 2017 100%

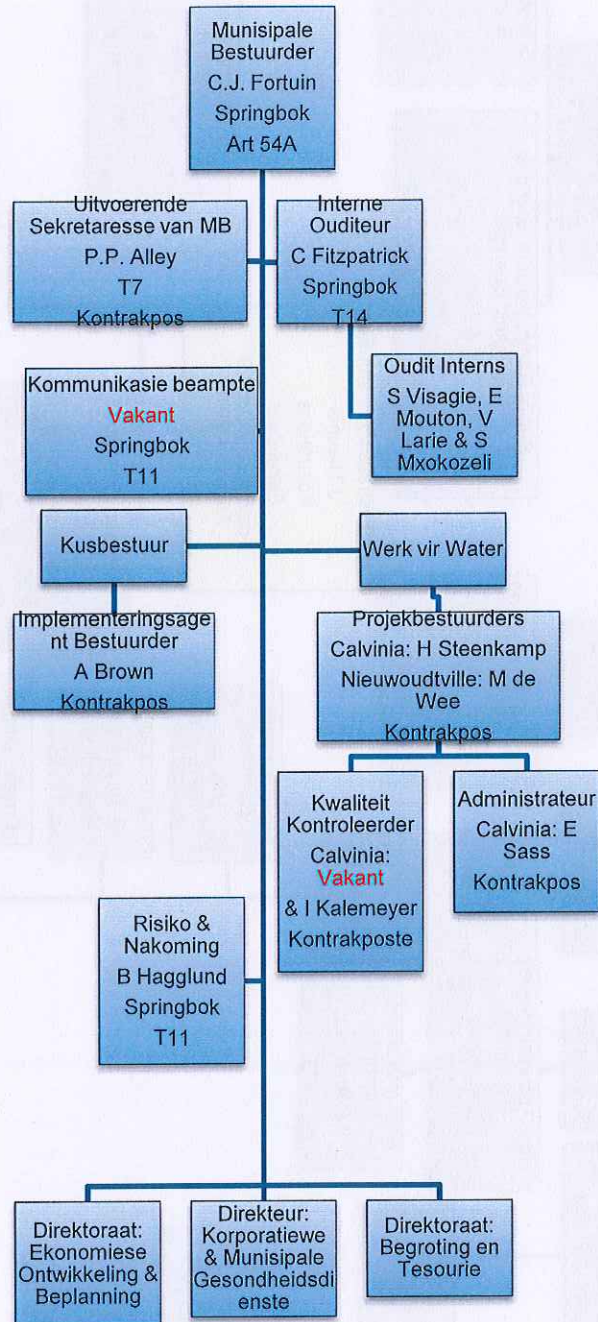


## APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral/Executive Committee) and Purposes of Committees			
Committees	Purpose	Council Members	Attendance
Cooperative Services	The primary purpose of the Committee is to handle reports from the administration and to make recommendations to the Council for approval or disapproval	Charles Coetzee Willem Links Cyril Warne	3 March 2017/ 20 July 2017/ 3 Nov 2016 3 March 2017/ 20 July 2017/ 3 Nov 2016 3 March 2017/ 20 July 2017/ 3 Nov 2016
Municipal Public Accounts Committee	Ensure political insights over financial & performance information	Susarah Nero Geraldine Gous Gert Coetzee	10 March 2017/ 9 Nov 2016 10 March 2017 10 March 2017
Budget & Treasury Committee	To deal with council & Human Resource matters, including Municipal Health Services	Charles Coetzee Anna Beukes Bentley Vass Jeremy Davids	27 June 17/ 27 Feb 17 27 June 17/ 27 Feb 17 27 June 20/ 27 Feb 17/ 2 Nov 16 27 June 17
Economic Development, Planning & Infrastructure Committee	Economic Development planning and Infrastructure development issues	Gillian Pieters Zuie De Jongh Geraldine Gous	8 Nov 16 24 July 17/ 8 Nov 16 24 July 17/ 8 Nov 16
Mayoral Committee	The primary purpose of the Committee is to handle reports from environmental health	Bentley Vass Willem Links Adele Rooi Gillian Pieters Helen Jack	24 May 17/ 24 Jan 17/ 23 Nov 16/ 17 Oct 16 24 May 17/ 24 Jan 17/ 23 Nov 16/ 17 Oct 16 24 Jan 17/ 23 Nov 16 24 May 17/ 24 Jan 17/ 17 Oct 16 23 Nov 16/ 17 Oct 16
Municipal Health Services	The primary purpose of the Committee is to handle reports from environmental health	Adele Rooi Helen Jack Jeremy Davids Gert Coetzee	6 March 17/ 7 Nov 16 6 March 17/ 7 Nov 16 6 March 17/ 7 Nov 16
Health and Safety	The primary purpose of the committee is to report from health and safety	Helen Jack Chandre Klaase Magdalena Groenewald	16 March 17/ 3 Nov 16 16 March 17/ 3 Nov 16 3 Nov 16

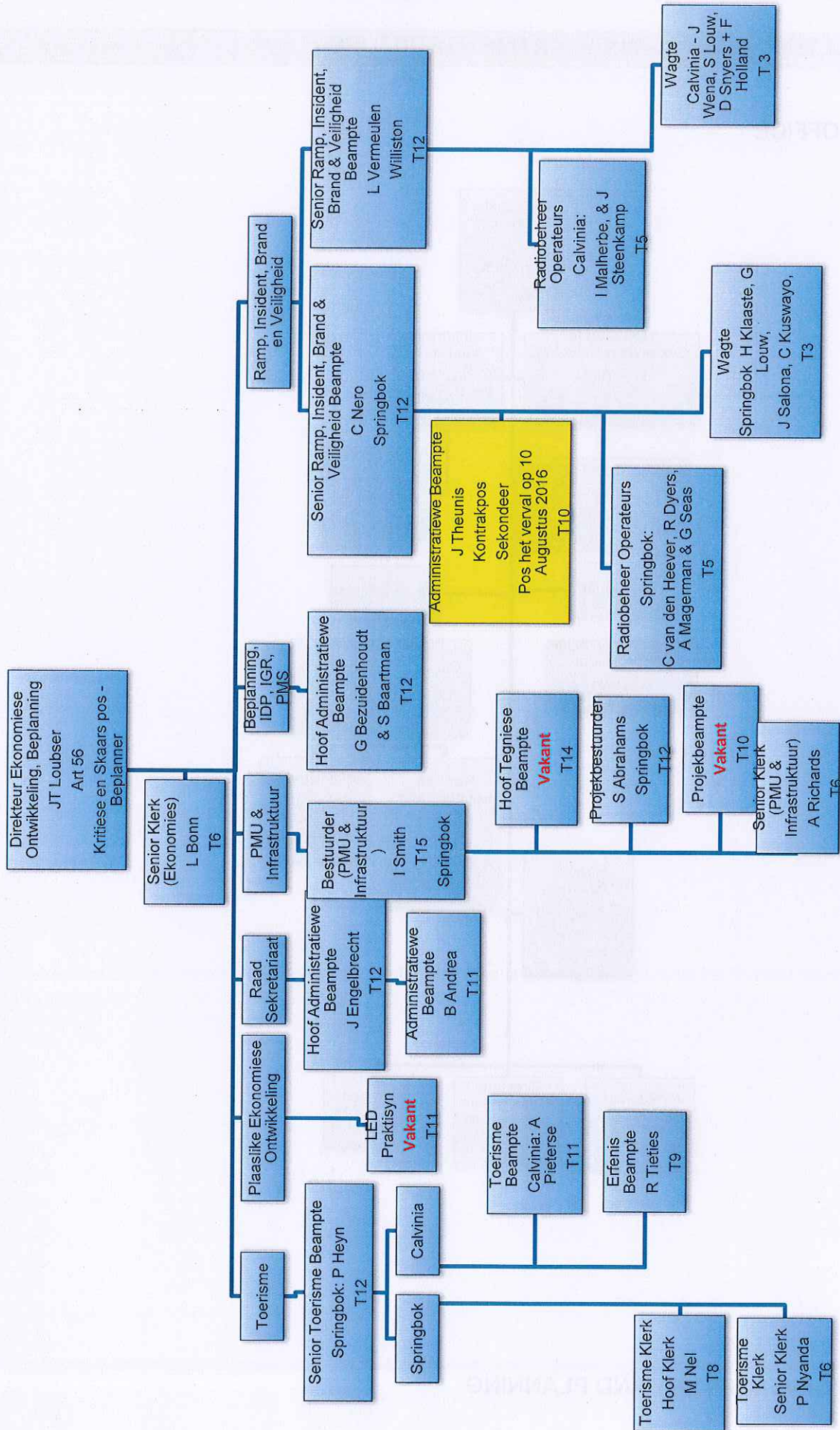
## APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

### MUNICIPAL OFFICE

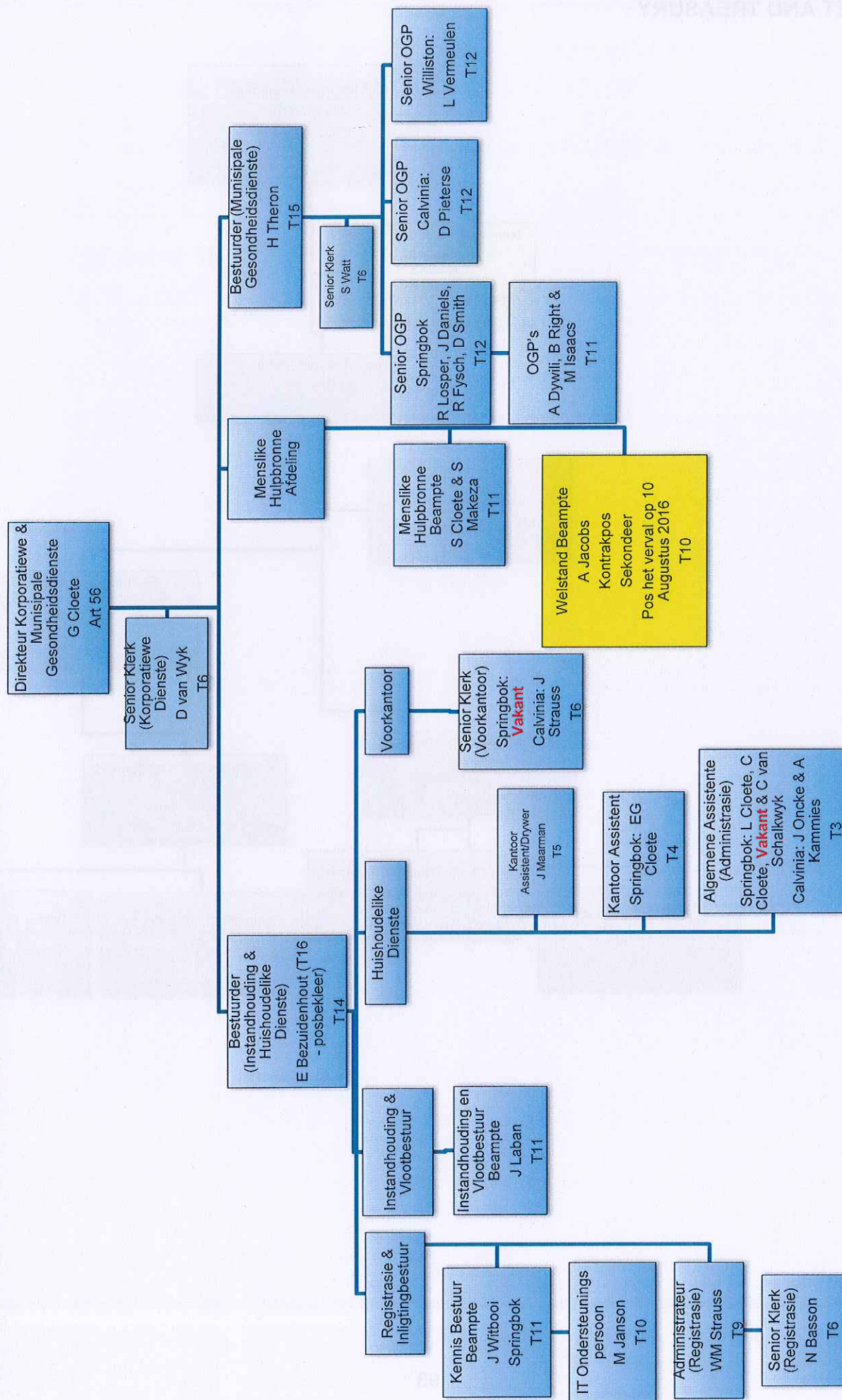


### ECONOMIC DEVELOPMENT AND PLANNING



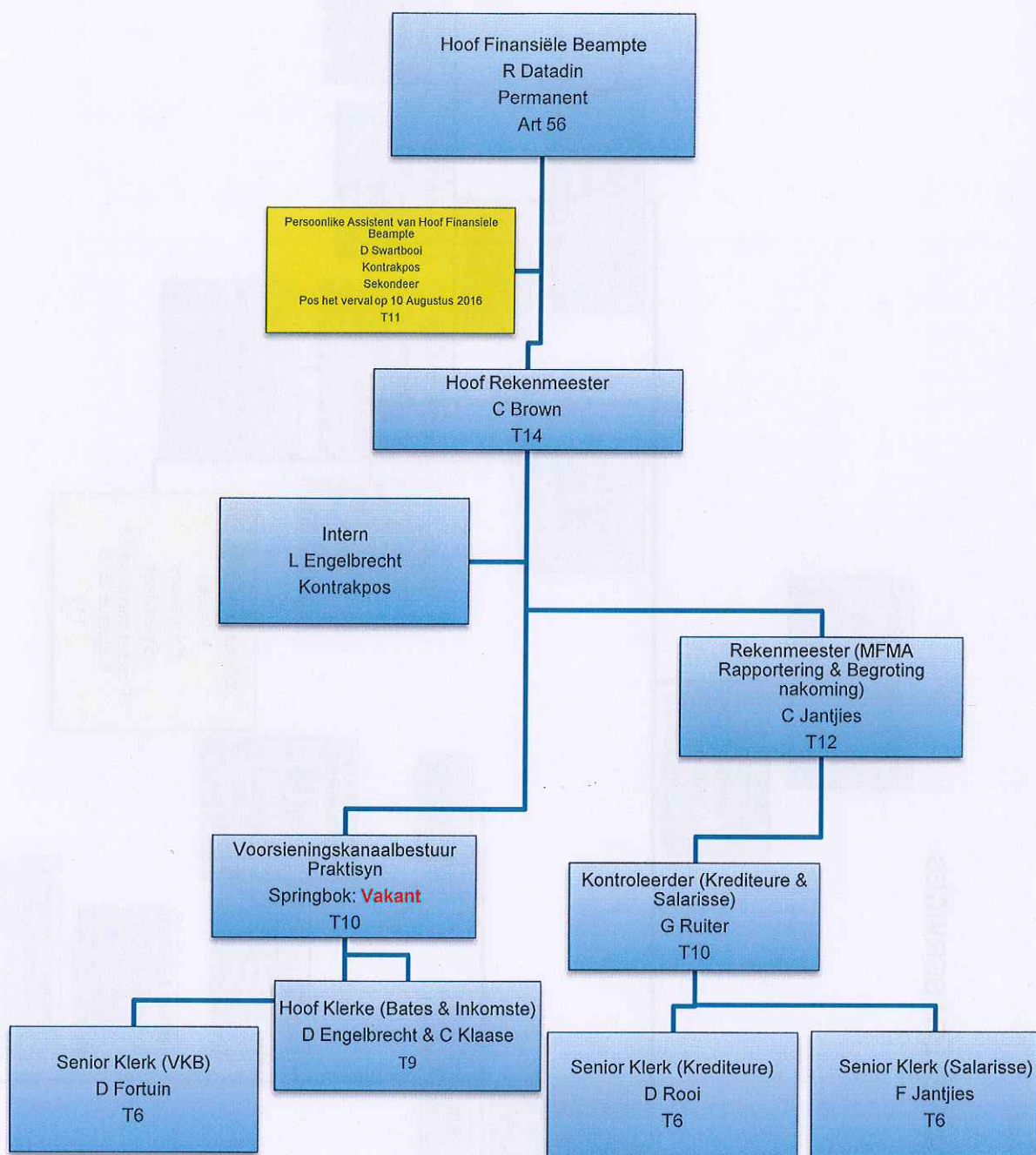


# CORPORATE SERVICES AND MUNICIPAL HEALTH SERVICES

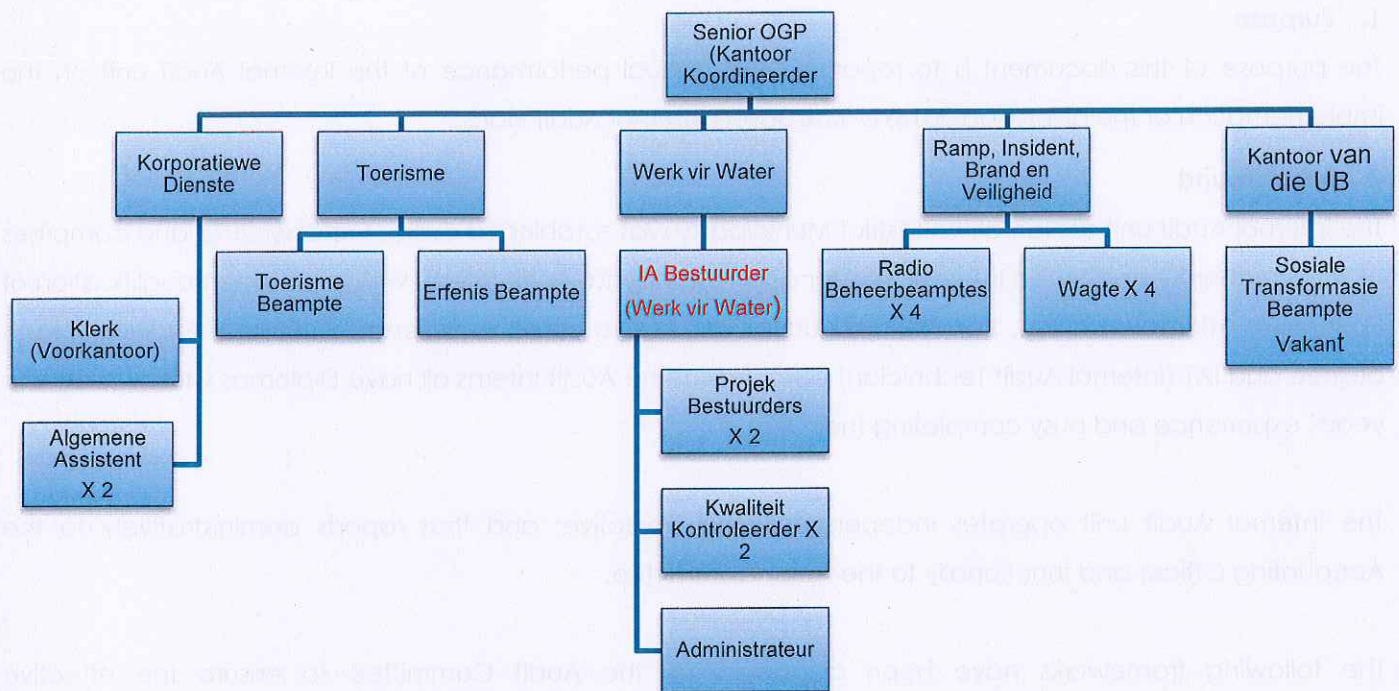




## BUDGET AND TREASURY



## CALVINIA OFFICE STRUCTURE





## APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

### 1. Purpose

The purpose of this document is to report on the annual performance of the Internal Audit unit on the implementation of the approved 2016/17 Risk-Based Internal Audit Plans.

### 2. Background

The Internal Audit unit at Namakwa District Municipality was established during October 2013 and comprises of a permanently appointed Internal Auditor and four Internal Audit Interns with a minimum qualification of Diploma in Internal Auditing. The Internal Auditor has twelve years' experience in Internal Auditing, BTech degree and IAT (Internal Audit Technician) completed. The Audit Interns all have Diplomas with at least two years' experience and busy completing their IAT.

The Internal Audit unit operates independent and objective; and thus reports administratively to the Accounting Officer and functionally to the Audit Committee.

The following frameworks have been approved by the Audit Committee to ensure the effective establishment and functionality of the unit;

- The Internal Audit Charter;
- The Internal Audit Methodology; and
- 2016/17 Annual Risk-based Operational Plan and 3 Year Strategic Plan

### 3. Legislative requirements

Legislative requirement – section 166 of the Local Government Municipal Finance Management Act, No 56 of 2003 stipulates the requirement of an Internal Audit function within all Municipalities.

### 4. The role of Internal Audit is to;

Add value to the Namakwa District Municipality by assisting management with the achievement of set targets and objectives; by evaluating the effectiveness of risk management, controls and governance processes.



# Annual Internal Audit Report 2016/17

2018

## 5. Resources

1 August 2016 - 30 June 2017											
Less Days Provision For											
Determination Of Available Hours:											
Name	Working Days	Annual Leave	Sick leave	Study Leave	Training	Strat planning, team building etc	Admin	Hours in Work day	Total Hours available	Less Leave & Admin Hours	Net Productive Hours available
Veronica Fitzpatrick	231.00	16.00	11.00	0.00	0.00	5.00	44.00	8.00	1848.00	608.00	413.33
Valmary Larie	231.00	18.00	11.00	0.00	15.00	5.00	22.00	8.00	1848.00	568.00	1280.00
Sanele Mxokozeli	231.00	18.00	11.00	0.00	15.00	5.00	22.00	8.00	1848.00	568.00	1280.00
Stephanie Visagie	231.00	15.00	11.00	0.00	15.00	5.00	22.00	8.00	1848.00	544.00	1304.00
Elzetta Mouton	231.00	15.00	11.00	0.00	15.00	5.00	22.00	8.00	1848.00	544.00	1304.00
Total Hours available until 30 June 2017	1155.00	82.00	55.00	0.00	60.00	25.00	132.00	8	9240.00	2832.00	5581.33

## 6. 2016/17 Risk-Based Internal Audit Plan

No	Area	High risk	Risk rating	Audit Area	Proposed Scope of Audit	Timelines	Provisional Budgeted Hours	Motivation for budgeted hours
1	Performance Management	N/a Required as per MFMA	N/A	Organisational Performance Management	Verify results of quarterly performance information.	Q1	80	Area previously reviewed.
2	Finance	N/a Area identified by Internal Audit	N/A	Subsistence and Traveling	Verify whether valid and accurate payment were made in terms of S&T's		500	Area have not been previously reviewed by Internal Audit.



# Annual Internal Audit Report 2016/17

2018

No	Area	High risk	Risk rating	Audit Area	Proposed Scope of Audit	Timelines	Provisional Budgeted Hours	Motivation for budgeted hours
3	Mscoc	N/a Area identified by Internal Audit	N/A	Mscoc	Verify whether the project governing structures have been established. Determine and report on progress regarding the project implementation plan		320	Area have not been previously reviewed by Internal Audit.
4	Performance Management	N/a Required as per MFMA	N/A	Organisational Performance Management	Verify results of quarterly performance information.		80	Area previously reviewed.
5	Finance	N/a Required as per MFMA	N/A	Deviations/Fruitless and wasteful expenditure/Irregular expenditures	Perform investigation into sec 32 of the MFMA		500	Area have not been reviewed by Internal Audit
6	Fleet Management	Ineffective and insufficient fleet maintenance Misuse of Municipal vehicles Loss of Municipal vehicles due to accidents Lack of reporting of accidental incidents Loss of spares and parts of vehicles	Medium High High High Medium	Fleet Management	Verify whether the fleet maintenance plan are credible and inform an accurate budget; Verify whether accountability are maintained with the use of municipal vehicles	Q2	500	Area have not been reviewed by Internal Audit.
7	Performance Management	N/a Required as per MFMA	N/A	Organisational Performance Management	Verify results of quarterly performance information.	Q3	80	Area previously reviewed.



# Annual Internal Audit Report 2016/17

2018

No	Area	High risk	Risk rating	Audit Area	Proposed Scope of Audit	Timelines	Provisional Budgeted Hours	Motivation for budgeted hours
8	Mscoc	N/a Area identified by Internal Audit	N/A	Mscoc	Verify and report on progress on the implementation of Mscoc		200	Area have not been reviewed by Internal Audit.
9	Local Economic Development	Restricted support to LED to local municipalities ensuring the LED strategy is aligned to the National Development Plan	High	Local Economic Development	Verify whether LED strategies/Rural Development Plans of all 6 local municipalities are aligned to the National Development Plan.		500	Area have not been reviewed by Internal Audit.
10	Performance Management	Misalignment of LED Strategy/Rural Development Plan to NDP	High	Organisational Performance Management	Verify results of quarterly performance information.		80	Area previously reviewed.
11	Tourism	Inadequate tourism support to local municipalities due to misalignment of the role of Tourism on a district level	High	Tourism	Analyze the impact of tourism marketing on the local economic via various tourism numbers presented	Q4	500	Area have not been reviewed by Internal Audit.
12	Registration	Loss of information	High	Registration	Verify whether the all municipal information comply to the specifications of the archive act and whether the municipal file plan are complied with.		500	Area have not been reviewed by Internal Audit.
13	Grant Management	N/a Required as per DORA	N/A	Grant Management	Verify whether grants were utilized for intended purposes/earmarked for.		600	Review all payments made.



# Annual Internal Audit Report 2016/17

2018

No	Area	High risk	Risk rating	Audit Area	Proposed Scope of Audit	Timelines	Provisional Budgeted Hours	Motivation for budgeted hours
				Follow up Audits		Continuously, within 60 days of expiry of action plan	600	The only follow up which might be due towards the end of financial year will be the first audits conducted for the IDP process.
				Ad-hoc requests from Management/Council/Local Municipalities		Continuously	400	
				Strategic Planning		Q4	140	The operational & strategic plan will be compiled during May 2015.

**Total Provisional hours**

5580

**Total available hours**

5580

**Difference**

0

As per available resource hours

**Total Number of Risks 9**

# Annual Internal Audit Report 2016/17

## 7. Performance on Risk-based Plan

Internal Audit effectively delivered on the implementation of the operational plan except for the following:

- Due to the vacancy within the Local Economic Development (LED) office, the audit for LED could not be performed and was replaced with an audit on Procurement and Contract Management.
- Quarter 4 Performance Management was not reviewed by Internal Audit.

## 8. High level summary of each audit area

### a. Quarter 1, 2 and 3 of Performance Management

- o Incorrect indication of targets achieved;
- o Incorrect/Inaccurate supporting evidence;
- o Updates not performed on the Ignite Performance Management system

### b. Tourism

- o No formal signed Job Descriptions;
- o Inaccurate tourism data reported

### c. Registration

- o Authenticity/reliability of hand delivered Post register;
- o Reference number of mail written on register not cross referenced to mail register;
- o No control over incoming/outgoing correspondences;
- o Expired fire extinguishers;
- o No restricted access to creditors files;
- o Incomplete employee personal files

### d. Subsistence and Travel Allowance

- o Outdated S&T policy;
- o Job descriptions of supervisor and creditors' Clerk;
- o Insufficient supporting evidence attached to claims;
- o Incorrect km's claimed;
- o No evidence of event attended

### e. Deviations

- o 3 Quotations received from the same supplier;
- o Deviations identified but not in the deviation list;
- o Only Pro-forma invoices received and paid;
- o Supporting evidence not attached to payments made

### f. Fleet Management

- o Absence of a fleet maintenance plan;
- o Absence of signed job descriptions;



# Annual Internal Audit Report 2016/17

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- o Trip authorisations do not have the necessary supporting evidence;
- o Safeguarding of information and assets (fuel cards & vehicle keys)
- o Pre and post vehicle inspection checklists not completed

g. Follow up Audits

Internal Audit continuously followed up on outstanding Internal Audit actions as these become due for implementation (normally within 30 days).

## 9. Risk Management

During the 2016/17 financial year, the Namakwa District Municipality did not have a functional Risk Management unit. For the purpose of compiling the Internal Audit plans; the unit updated the risk registers.

During the risk assessment performed, it was noted that the Municipality had 17 high inherent risks of which 10 were audited as part of the internal audit processes; which is a **59%** coverage.

During this financial year Internal Audit could not advise management on the effectiveness of Risk Management processes.

## 10. Performance Management

During the 2016/17 financial year The Namakwa District Municipality implemented an electronic performance management system to effectively manage performance information. Difficulties are still experienced with timely updates and the upload of the correct supporting evidence. Management will in future address these concerns.

## 11. Auditor General Action Plan

The Internal Audit unit compiled the AG Audit Action Plan (based on the 2015/16 Audit outcome/findings raised) and submitted it to Provincial Treasury on 31 January 2017 as required. Follow-ups were performed on the implementation of the actions by Management. By 30 June 2017 the total implementation rate of corrective measures were at **57%**.

## 12. Disciplinary Board

The Namakwa District Municipality has a functional Disciplinary Board which comprises of the Internal Auditor, the Director of Corporate Services and a member of the Audit Committee. The Committee is appointed as per the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings of 30 May 2014 and as per Council Resolution dated 7 July 2016.

During the 2016/17 financial year the Committee performed a preliminary investigation of 3 cases whereby the results were reported to Council during November 2016. No other cases were reported for investigation.



**Namakwa District Municipality**  
**SDBIP 2016/2017: Top Layer SDBIP Report**

**Creation of a thousand job opportunities through the community public works programme, as part of 4,5 million EPWP jobs**

Ref	National Outcome	National KPA	KPI
TL37	Decent employment through inclusive economic growth	Local Economic Development	Create full time equivalent (FTE's) through expenditure with the EPWP job creation by 30 June 2017
TL44	Decent employment through inclusive economic growth	Local Economic Development	Create full time equivalent (FTE's) by 30 June 2017 with the refurbishment of municipal accommodation and tourism walkways
TL46	Decent employment through inclusive economic growth	Local Economic Development	90% spent by 30 June 2017 of the allocation for the 2016/17 financial year for the refurbishment of municipal accommodation and tourism walkways [(Actual expenditure / by the total allocation for 2016/17)x100]

**Ensure sustainable economic and social transformation in the District**

Ref	National Outcome	National KPA	KPI
TL7	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Co-host a annual ARV function for vulnerable children in collaboration with District Department of Health by 31 December 2016
TL8	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Arrange the Mathematics Award Ceremony for schools in the district in collaboration with the district Department of Education by 31 March 2017
TL9	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Arrange the top 5 schools and top 10 learners Award Ceremony by 28 February 2017
TL11	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Support Community Based Organisations for vulnerable groups
TL12	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Host commemorative days as per the approved list
TL13	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Support disadvantaged learners with educational needs in terms of the Back to School Campaign
TL14	Improve health and life expectancy	Basic Service Delivery	90% spent by 30 June of the HIV/AIDS conditional grant in terms of the approved business plan [(Actual expenditure / by total grand received)x100]
TL15	Improve health and life expectancy	Basic Service Delivery	Coordinate the meeting of the District HIV/AIDS Council that includes the meetings of the Civil Society Forum
TL16	Improve health and life expectancy	Basic Service Delivery	Establish a district Disability Forum by 30 September 2016
TL17	Improve health and life expectancy	Basic Service Delivery	Coordinate the meeting of the Disability Forum
TL18	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Establish a district Moral Regeneration Forum by 30 September 2016
TL19	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Coordinate the meeting of the Moral Regeneration Forum
TL20	Decent employment through inclusive economic growth	Basic Service Delivery	90% spent by 30 June 2017 of the allocation for the 2016/17 financial year for the Northern Cape Fishing Harbours by 30 June 2017 [(Actual expenditure / by the total allocation for 2016/17)x100]
TL21	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Compile a Estuary Management Plan and submit to council by 30 June 2017
TL38	Decent employment through inclusive economic growth	Local Economic Development	Attend 4 tourism marketing exhibitions to promote the Namakwa region as a tourism destination during the 2016/17 financial year
TL43	A development-orientated public service and inclusive citizenship	Basic Service Delivery	Arrange the Drama Roadshow for learners in the District in collaboration with the District Department of Education by 31 July 2016

**Ensure the implementation of environmentally sustainable practices, along with an integrated approach to addressing climate change response, across all sectors**

Ref	National Outcome	National KPA	KPI
TL22	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Create person days work in terms of the Working for Water project
TL23	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Clear alien vegetation in terms of the Working for Water project



TL34	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Take monthly samples of bacteriological and chemical levels of potable water in towns and communities within in the district
TL35	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Conduct at least one environmental education initiative per month per local municipality (excluding December and January)
TL36	Protection and enhancement of environmental assets and natural resources	Basic Service Delivery	Submit Municipal Health Services Strategic Plans for air quality, waste management and Climate Change to Council by 31 March 2017

**Ensuring the delivery of basic services which include water, sanitation, electricity and waste management**

Ref	National Outcome	National KPA	KPI
TL1	A responsive and accountable, effective and efficient local government system	Basic Service Delivery	The percentage of the municipal capital budget actually spent as at 30 June 2017 (Actual amount spent on capital projects/Total amount budgeted for capital projects)X100

**Transformation of administrative and financial systems of NDM and relevant B-Municipalities, which includes supply chain management**

Ref	National Outcome	National KPA	KPI
TL2	A responsive and accountable, effective and efficient local government system	Good Governance and Public Participation	Develop the Risk Based Audit Plan for 2017/18 and submit to the Audit Committee by 30 June 2017
TL3	A responsive and accountable, effective and efficient local government system	Good Governance and Public Participation	80% of the RBAP for 2016/17 implemented by 30 June 2017 ((Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP for 2016/17)x100)
TL4	A responsive and accountable, effective and efficient local government system	Good Governance and Public Participation	Co-ordinate the meeting of the District coordinating forum (Technical)
TL5	A responsive and accountable, effective and efficient local government system	Good Governance and Public Participation	Publish 4 Namakwa District Municipality News letters by 30 June 2017
TL6	A responsive and accountable, effective and efficient local government system	Good Governance and Public Participation	Submit the draft Annual Report to Council by 31 January 2017
TL24	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2017 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant
TL25	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))
TL26	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Submit the adjustments budget for consideration to Council by 28 February 2017
TL27	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Submit the draft main budget for consideration to Council by 31 March 2017
TL28	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Submit the final main budget for consideration to Council by 31 May 2017
TL29	A responsive and accountable, effective and efficient local government system	Municipal Financial Viability and Management	Submit the annual financial statements to AGSA by 31 August 2016
TL30	A skilled and capable workforce to support inclusive growth	Municipal Transformation and Institutional Development	Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan
TL31	A skilled and capable workforce to support inclusive growth	Municipal Transformation and Institutional Development	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2017 ((Actual amount spent on training/total personnel budget)x100)

TL32	A skilled and capable workforce to support inclusive growth	Municipal Transformation and Institutional Development	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2017 ((Number of budgeted posts filled/Number of budgeted posts on the organogram)x100)
TL33	A skilled and capable workforce to support inclusive growth	Municipal Transformation and Institutional Development	Submit the reviewed organogram to Council by 30 June 2017
TL39	Decent employment through inclusive economic growth	Basic Service Delivery	100% spend of the RRAMS grant allocation in terms of the approved business plan by 30 June 2017 (Actual expenditure/total grant allocation received)x100
TL40	Decent employment through inclusive economic growth	Municipal Transformation and Institutional Development	Establish a District Joint Municipal Planning Tribunal in terms of SPLUMA by 30 September 2016
TL41	Decent employment through inclusive economic growth	Basic Service Delivery	100% spend of the Khotso Pula Nala grant allocation in terms of the approved business plan and technical report by 30 June 2017 (Actual expenditure/total grant allocation received)x100
TL42	Decent employment through inclusive economic growth	Municipal Transformation and Institutional Development	Submit the final five year IDP for 2017/18 - 2021/22 to Council for approval by 30 May 2017



1.0	General Information	Project Name: [REDACTED]	Project Number: [REDACTED]	Project Location: [REDACTED]	Project Start Date: [REDACTED]	Project End Date: [REDACTED]	Project Status: [REDACTED]
2.0	Project Description	[REDACTED]					
3.0	Project Objectives	[REDACTED]					
4.0	Project Scope	[REDACTED]					
5.0	Project Organization	[REDACTED]					
6.0	Project Budget	[REDACTED]					
7.0	Project Risk	[REDACTED]					
8.0	Project Communication	[REDACTED]					
9.0	Project Monitoring and Control	[REDACTED]					
10.0	Project Closeout	[REDACTED]					