

Beaufort West Municipality



Annual Report



2017/18

CONTENT

CHAPTER 1.....	3	3.2	Introduction to strategic and municipal performance for 2017/18	42
COMPONENT A: MAYOR'S FOREWORD.....	3	3.3	Component A: Basic Services	56
Component B: Executive Summary	4	3.4	Component B: Road Transport.....	73
1.2 Municipal overview.....	5	3.5	Component C: Planning and LED.....	77
1.3 Municipal functions, population and environmental overview.....	5	3.6	Component D: Community and Social Services.....	79
1.4 Service delivery overview.....	11	3.7	Component E: Security and safety	81
1.5 Financial health overview.....	12	3.8	Component F: Sport and recreation	83
1.6 Auditor-General report	14	3.9	Component G: Corporate Policy Offices and Other Services.....	85
Chapter 2	15	3.10	Component H: Service Delivery Priorities for 2018/19	95
Component A: Political and Administrative Governance.....	15	CHAPTER 4.....		99
2.1 Governance structure.....	15	4.1	National KPI – Municipal transformation and organisational development	99
Component B: Intergovernmental Relations	22	4.2	Introduction to the municipal workforce	99
2.2 Intergovernmental relations	22	4.3	Managing the municipal workforce	101
Component C: Public Accountability and Participation	23	4.4	Capacitating the municipal workforce	104
2.3 Public meetings.....	23	4.5	Managing the Municipal workforce expenditure.....	106
2.4 Ward committees	24	CHAPTER 5.....		109
2.5 Functionality of Ward Committees.....	26	Component A: Statements of Financial Performance.....		109
2.6 Representative forums.....	27	5.1	Financial summary.....	109
Component D: Corporate Governance	28	5.2	Financial performance per municipal function	114
2.7 Risk management	28	5.3	Grants	118
2.8 Anti-corruption and anti-fraud.....	30	5.4	Financial ratios based on KPIs	120
2.9 Audit and Performance Audit Committee.....	30	Component B: Cash Flow Management and Investments.....		124
2.10 Internal audit.....	32	5.5	Cash flow	124
2.11 By-laws and policies.....	33	5.6	Gross outstanding debtors per service	125
2.12 Communication.....	34	5.7	Total debtors age analysis	126
2.13 Website	34	5.8	Borrowing and investments	127
2.14 SCM.....	36	CHAPTER 6.....		128
CHAPTER 3.....	40	Component A: Auditor-General Opinion 2016/17		128
3.1 Overview of performance within the organisation	40	6.1	Auditor-General report 2016/17.....	128

CONTENT

Component B: Auditor-General Opinion 2017/18	131	List of Graphs.....	137
6.2 Auditor-General report 2017/18	131	List of Abbreviations	138
List of Tables	133	ANNEXURE A: AUDITED FINANCIAL STATEMENTS	
List of Figures.....	137	ANNEXURE B: AUDITOR-GENERAL REPORT 2017/18	



CHAPTER 1: EXECUTIVE SUMMARY

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

The 2017/18 financial year for Beaufort West Municipality (BWM) was characterised by change and transition, while laying the foundations for further progress. In order to make progress, BWM Council had to focus on its priorities, which meant there are several areas that require attention as soon as possible.

Managing the drought was one of the most daunting challenges faced by the Municipality. The town is experiencing its worst drought in the last 100 years and this has had a major impact on the economy of the town. Together with several stakeholders, we are working on a medium to long-term solution for the water problem in the Central Karoo. The drought has had a major impact on the economy of the town and the agriculture and tourism sector. Job shedding took place in both sectors and the situation is dire and needs urgent intervention.



The Municipality is doing well in terms of the access to basic services. Access to basic services ranges between 98% and 100% but there is still room for improvement. The outlying farm areas is of specific concern and the Municipality is engaging with farmers to ensure that all farm communities have access to basic services. Overall, Council delivered on most of the objectives set out in the Integrated Development Plan. Several infrastructure projects were completed in the financial year. As part of the water augmentation programme, 5 new boreholes and one pump station has been developed:

- 🏗️ Klein Hanrivier Phase 2 – Construction of bulk water pipelines and borehole equipping
- 🏗️ Equipping of 3 existing boreholes – HR 18, Flagship and Brandwacht 11

Our road network is in a good position and the Municipality does pothole repairs, while contractors undertake the construction of new paved roads. These projects are done according to the Expanded Public Works Programme (EPWP) standards to create job opportunities.

One of the biggest challenges the Municipality is facing is the financial viability of the Municipality. The Municipality has prioritised sound financial governance as a key focus area in ensuring that the Municipality becomes a sustainable organisation. BWM had a disclaimer in the 2016/17 financial year and bespoke support was provided by the Provincial Government to ensure that we improve our audit outcome. To this end we have improved our 2017/18 audit opinion to a qualified audit. We are on an upward trajectory and we have set our focus on an unqualified audit for the 2018/19 financial year. This will however require a team effort from all role players.

N CONSTABLE

EXECUTIVE MAYOR

CHAPTER 1: EXECUTIVE SUMMARY

COMPONENT B: EXECUTIVE SUMMARY

It is a pleasure to present the 2017/18 Annual Report of the Municipality. Beaufort West Municipality faced many challenges in the financial year under review.

Local Government is at a very interesting time in South Africa. Municipalities have the potential to change the lives of the people and is therefore at the coalface of service delivery in South Africa.

The main service delivery focus of the Municipality for the year under review was infrastructure development, reducing water losses and a focus on water conservation due to the drought. Water losses has been one of our biggest challenges and to this end the Municipality has embarked on a project to implement new water meters with monitoring equipment and real time viewing and this initiative will be rolled out to all households in the new financial year. Geoscience has assisted the Municipality with two boreholes, and this had a positive impact on the water provision of the town. The drought has put tremendous strain on the financial resources of the Municipality, and it has affected the economy of the town. The drought has led to job shedding in some of the key sectors and in many cases, it has a major impact on the lives of households in the area.

Furthermore, the Municipality has identified good governance as a key pillar of the municipal sustainability programme. The audit outcomes for the year under review has shown improvement with a qualified audit opinion. Reporting on performance remain a challenge and compliance within the Municipality is also an area which must improve. The Municipality has started a process to fill all critical vacancies to ensure that services is rendered efficiently.

The top strategic risks that is facing BWM is the drought and water management, economic growth and development and service delivery infrastructure failure. The electrification of the S1 project in Toekomsrus was completed and a new prepaid system was introduced where citizens can buy electricity online and at the Supermarkets 24 hours a day. Basic service delivery initiatives have also been implemented to ensure that services are rendered in the best possible way. Our payment rate has improved to above 90 per cent and we are encouraging citizens to pay for the services that they are receiving from the Municipality. We strive for a hundred per cent payment rate, but we are aware of the challenges our communities are facing. The Municipality is striving to keep our services affordable, but we also want to provide services in the most economic and efficient way. Our Unemployment further remains one of our biggest challenges faced by the town. The youth remain a concern and we have established a youth council to ensure that we have a forum to address the needs of the youth.

Thank you to all municipal staff, stakeholders, visitors and community groups for the support during the year under review. The management team look forward to improving service delivery through innovation and partnerships during 2018/19.

K HAARHOFF

MUNICIPAL MANAGER



CHAPTER 1: EXECUTIVE SUMMARY

1.2 Municipal overview

This report addresses the performance of Beaufort West Municipality (BWM) in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the Council of the Municipality provides regular and predictable reporting on program performance and the general state of affairs in their locality.

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

1.2.1 Vision and mission

The Municipality committed itself to the following vision and mission:

Vision:

“Beaufort West, economic gateway in the central Karoo, where people are developed and live in harmony together”

Mission:

To reflect the will of the South African people as reflected in the Constitution and by Parliament:

- 🏠 Service Delivery: To provide excellent services to the residents of Beaufort West Municipality
- 🏠 Growing the Economy: To implement infrastructure to grow the economy and create jobs
- 🏠 Staff: To have an equipped, skilled and motivated staff establishment
- 🏠 Well-run Administration: establish a sound, efficient and effective administration for the Municipality
- 🏠 Financial Sustainability: Collecting all debtors and paying creditors in time
- 🏠 Sport Centre: To become the sport and recreational mecca of the Karoo, creating harmony and unity
- 🏠 Safe Place: To create a crime-free, safe and healthy environment
- 🏠 Reduce Poverty: To reduce poverty and promote the empowerment of women, youth and people living with disabilities

1.3 Municipal functions, population and environmental overview

1.3.1 Population

The table below illustrates the population in the municipal area as per census 2001 – 2011 and the Socio-economic profile 2017:

Population	2001	2011	2018
Number of people residing in the Beaufort West municipal area	43 284	49 586	53 168
	Census 2001 and 2011		Socio-economic profile 2017

Table 1: Demographic information of the municipal area – Total population

CHAPTER 1: EXECUTIVE SUMMARY

1.3.2 Population by race

The table below reflects on the race classification of the population within the Beaufort West area:

Year	Black African	%	Coloured	%	Indian or Asian	%	White	%	Other	%	Total
2001	6 923	16	31 792	73.4	42	0.1	4 528	10.5	0	0	43 284
2011	8 103	16.3	36 433	73.5	241	0.5	4 539	9.2	270	0.5	49 586

Census 2001 and 2011

Table 2: Population by race

1.3.3 Population by age

The table below includes data about the composition of the population per age category.

Year	0 – 18	19 – 30	31 – 40	41 – 50	51 – 65	66 – 120	Total
2001	17 938	7 848	6 048	4 896	4 321	2 233	43 284
2011	19 132	9 162	6 508	6 030	6 091	2 663	49 586

Census 2001 and 2011

Table 3: Population by age

1.3.4 Households

The number of households within the municipal area increased from 14 168 households in the 2016/17 financial year to 14 964 households in the 2017/18 financial year. This indicates an increase of about 5.62% in the total number of households within the municipal area over the two-year period and represents a household size of about 5 people per household (if Census 2011 is used).

The table below indicates the growth of households over the past 4 years:

Households	2014/15	2015/16	2016/17	2017/18
Number of households	13 864	14 107	14 168	14 964

Table 4: Total Number of households

CHAPTER 1: EXECUTIVE SUMMARY

1.3.5 Demographic Information

a) Municipal Geographical Information

Towering mountains and rolling plains welcome you to the Beaufort West region. Beaufort West, the oldest and largest town in the Central Karoo, lies in an ancient area which once was a swamp, now a semi-desert area named “thirst land”, making it rich in history. This ancient area of the Karoo is considered one of the world’s most interesting arid zones and holds intrigue for scientist, historians and eco-tourists which is fondly referred to as place of the pioneers. In February 1837, BWM became South Africa’s first and therefore oldest municipality. It is the centre of an agricultural district based mainly on sheep farming and meat production. Strategically



positioned on the N1 National Road, which links Cape Town with the interior and northern parts of South Africa, BWM maintains a minimal but steady amount of growth due to the high volume of passing road traffic.



The nearby Karoo National Park is a national asset which aims to reclaim the original flora of the Karoo and is one of the chief tourist attractions in the region, boasting a wide variety of endemic wildlife. The municipal area covers approximately 16 330 km² with the town situated 851 meters above sea level between the Gamka and Kuils Rivers. The town lies just south of a ridge of hills and north of the Nuweveld Mountains in the Central Karoo where rocks date back some 230 million years. Not only was the first reptile fossil discovered in the area, but Beaufort West has been described as the world’s richest collecting ground for fossils. The town’s historic centre

displays an electric mix of historical architecture that makes a stop-over here essential.

Summer rains normally begin with light showers around October. Rain is very sporadic and mostly occurs in the form of thunderstorms. Snowfalls can occur as late as September and the first snowfalls reached ground level in 2011. Temperatures increase dramatically during November and remain high until February, reaching highs of between 38 and 48 degrees. The mid-winter months of June and July are cold and dry with temperatures falling well below zero.

In the year 2000, the smaller rural towns of Merweville and Nelspoort were incorporated into the BWM, and since June 2011 the town of Murraysburg has also been a DMA of the Municipality.

CHAPTER 1: EXECUTIVE SUMMARY

b) Wards

The Municipality is structured into the following 7 wards:

Ward	Areas
1	Murraysburg and Murraysburg rural areas
2	Nelspoort, Nelspoort rural, Noord Einde, part of Hillside, central town, part of rural areas of Beaufort West and part of Hospital Hill
3	Part of Rustdene, Essopville and Nieuveld Park
4	Part of Kwa Mandlenkosi, De Lande, part of central town and southern part of Hospital Hill
5	Part of Kwa Mandlenkosi, part of Rustdene, Paddavlei, Hooivlakte, New Lands and New Town
6	Part of Rustdene and Prince Valley
7	Part of rural Beaufort West, part of Hillside I and II, Toekomsrus, Merweville and rural parts of Merweville

Table 5: Municipal wards

Below is a map that indicates the municipal area and wards:

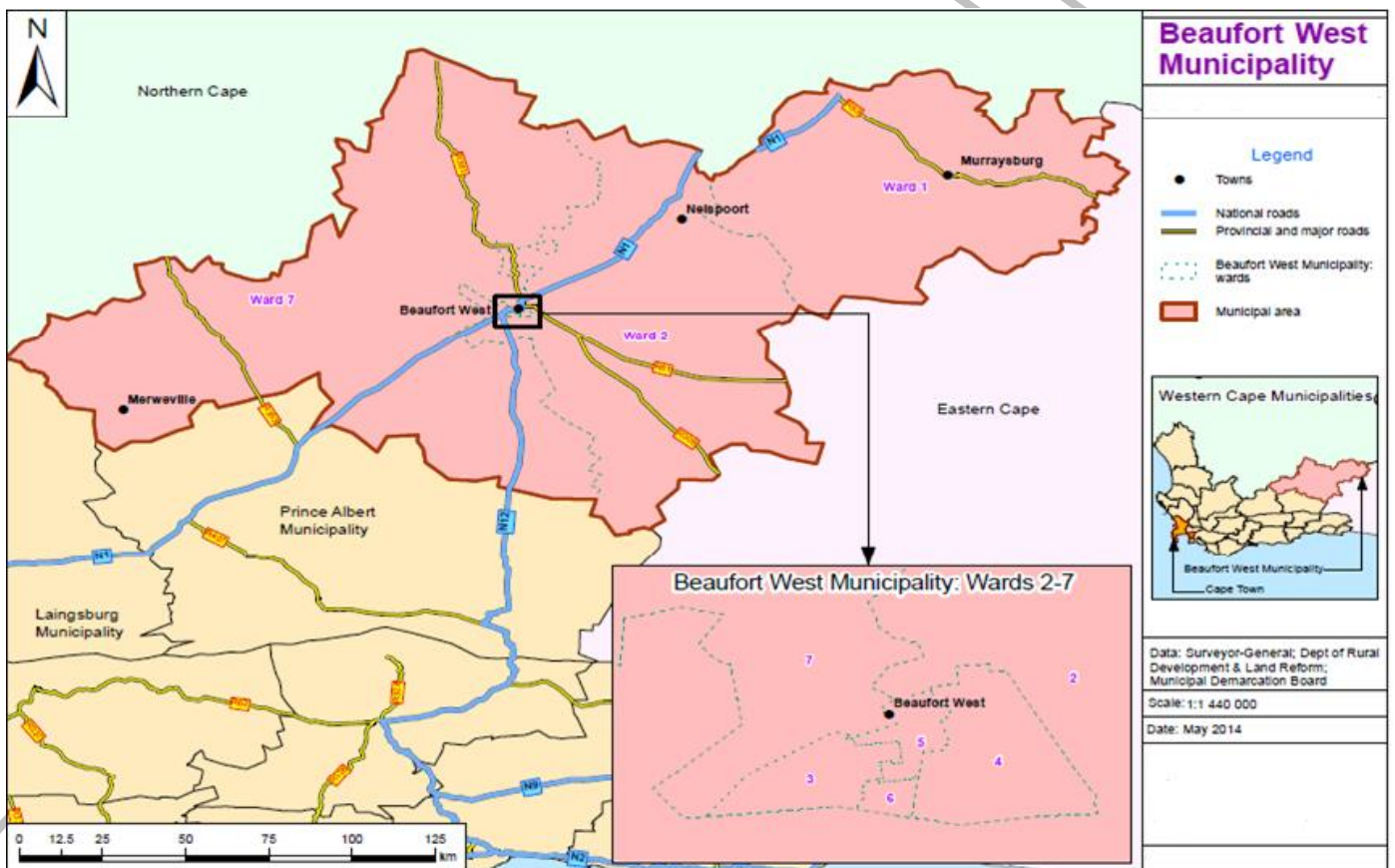


Figure 1.: Beaufort West municipal area and wards

CHAPTER 1: EXECUTIVE SUMMARY

Merweville

Merweville is a small town situated 160 km south-west of Beaufort West and 40 km from Prince Albert Road station. This Central Karoo town lies in a picturesque area of plains often linked to the Nevada Desert region of the United States. It was established around 1897 on the farm of Jacobus van der Bijl, a jack of many trades: farmer, shopkeeper, postmaster, magistrate and justice of the peace.



He built a church that was later used as a school. Merweville lies in the *kou*, which means "caul fat", and was so named by early indigenous inhabitants who felt that the patches of golden veld grass, interspersed by dark brown soil, resembled the fat and blood vessels surrounding a sheep's liver. The reason for this name is quite apparent at the onset of winter when the veld is less lush and the gold and brown patches become evident. Merweville maintains a great deal of the charm of earlier days and is an ideal spot to rest, relax and unwind from the pressures of modern-day city life.

Murraysburg

Murraysburg, a typical old-world Great Karoo town that lies 160 km north-east of Beaufort West, became Ward 1 with the new demarcation and as a result became a DMA of the BWM, after it was previously a DMA of the Central Karoo District Municipality. Murraysburg, located at the foot of the Sneeuberg Mountains in a scenic mix of mountains and plains, offers tranquility for environmentalists and eco-watchers. In the late 18th century a bloody and vicious war of revenge and retaliation raged for many years between the San and farmers. Farms were attacked, houses set alight and herdsmen murdered. Farmers went out on punitive missions and killed many of the San, who hunted the livestock of the farmers.



The region was very unsettled by stock theft, murders and reprisal expeditions against the San. At the beginning of the 19th century, the San began to move towards the Kalahari and eventually the farm *Eenzaamheid* was bought from Mr. Kootjie Burger where after the farm became the town of Murraysburg. It was a "church town", meaning that the Dutch Reformed Church (DRC) exercised full control over the town and its inhabitants.

Below picture shows the beauty of Murraysburg during a snow filled winter season:

CHAPTER 1: EXECUTIVE SUMMARY

The new town was named after Reverend Andrew Murray, minister of the DRC in Graaff-Reinet. The “burg” derives from the Dutch word meaning “place of safety”.

Nelspoort

Nelspoort, situated 56 km north of Beaufort West, is a small community in the depths of the Central Karoo. The Bushmen and Khoi visited the surrounding heads and left their mark in rock engravings. Long since the Bushmen, the area became a haven for those with chest ailments.



As early as 1836, Beaufort West’s dour but well-loved Dr. John Christie appealed to people to “breathe” the air of the Nuweveld Mountains. White farmers later established their homes here and for a while the sanatorium brought peace and healing to many tuberculosis (TB) sufferers. Established in 1924 through the efforts of Dr. Alfred Jasper Anderson and John Garlick, a philanthropist, the Nelspoort area was identified as an ideal location for “the first chest hospital on the African continent.” By 1969, the first psychiatric patients were admitted. The disastrous socio-economic effects of tuberculosis had decreased by then and the disease could be treated with drugs at home. The old magic mountain method of healing with good food and fresh air was a thing of the past and thus Nelspoort devoted itself to psychiatric patients, maintaining only one TB ward Today, both roles have declined

c) Key economic activities

Agriculture forms the backbone of the Beaufort West economy and accounts for the largest labour to date. Despite the harsh climate and poor carrying capacity of the veldt, it still offers opportunities for growth and employment creation. The Municipality is dependent upon the following main economic activities:

Key economic activities	Description
Agriculture and agri-processing	Fresh meat (mutton, game, Karoo lamb, ostrich, goat, beef)
	Processed meat (biltong, cold meats, “droë wors”)
	Fresh fruit and vegetables (figs, olives, apricots, grapes, herbs)
	Processed fruit and vegetables (chutney, dried figs, olives, jams)
	Animal bi-products (skins, hides, wool, mohair, milk)
	Processed animal bi-products (leather products, dairy products, wool and mohair products)
	Other (traps for problem animals – manufacturing and servicing)
Transportation	The transportation sector in the Central Karoo is one of the strongest contributors to the regional economy and completely dominated by Beaufort West, which contributes 86.4% of the total gross domestic product in this sector
Tourism	Wide-open spaces, magnificent landscapes, panoramas and the sense of solitude attractions
	Historic and cultural attractions

Table 6: Key economic activities

CHAPTER 1: EXECUTIVE SUMMARY

1.4 Service delivery overview

1.4.1 Highlights: Basic services delivery performance

The table below shows the Municipality's achievement with regards to service delivery:

Highlight	Description
Water	Development of 5 new boreholes and 1 pumpstation
Waste water (sanitation)	Upgrade of the existing pond system including a new inlet works and irrigation system at the Murraysburg WWTW
Electricity	Installation of 400 m 11KV cable with switch gear
Waste management	Funded by the Department of Environmental Affairs and Development Planning's (DEADP) Environmental Protection and Infrastructure Programmes (EPIP), ±25 beneficiaries were recruited. The learnership consisted of 40% theory and 60% practical. Project started in March 2018 and will end in November 2019

Table 7: Basic services delivery highlights

1.4.2 Challenges: Basic services delivery

The Municipality faced the following challenges during the year:

Service area	Challenge	Actions to address
Water	2017/18 drought	Apply for funding
Waste water (sanitation)	Vandalism of pump station and manholes	Increase security measures
Electricity	High cost of electricity	Energy Efficiency Demand Side (EEDSM) - ongoing projects
Waste management	Insufficient and ageing infrastructure	Sufficient budget and /or implementation of shared services

Table 8: Basic services delivery challenges

1.4.3 Proportion of households with access to basic services

The table below indicates the Municipality's performance related to basic services provided:

Description	2016/17	2017/18
Water - minimum service level and above percentage	98%	98%
Sanitation - minimum service level and above percentage	96%	96%
Electricity - minimum service level and above percentage	100%	100%
Waste collection - minimum service level and above percentage	100%	100%

Table 9: Households with minimum level of basic services

CHAPTER 1: EXECUTIVE SUMMARY

1.5 Financial health overview

1.5.1 Highlights: Financial viability

The table below shows the Municipality's achievement with regards to financial viability:

Highlight	Description
In-house compilation of Budget and Annual Financial Statements (AFS)	Less dependency on consultants resulting in huge cost savings
Integrated Recovery Plan developed	Plan adopted by Council and Implementation Manager appointed

Table 10: Financial viability highlights

1.5.2 Challenges: Financial viability

The table below indicates the challenges faced during the financial year:

Challenge	Action to address
Vacancies in critical positions not yet filled	Positions advertised, vacancies to be filled
Lack of resources (funds, human capital)	Apply for all available funding, organisational structure reviewed

Table 11: Financial viability challenges

1.5.3 National Key Performance Indicators – Municipal financial viability and management (Ratios)

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

KPA and Indicator	2016/17	2017/18
Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2018 [(Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)x 100]	6.90%	10.12%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 [(Total outstanding service debtors/ revenue received for services)x 100]	37.88%	92.71%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	0	1

Table 12: National KPI's for financial viability and management

CHAPTER 1: EXECUTIVE SUMMARY

1.5.4 National KPI - Good governance and public participation

The following table indicates the Municipality's performance in terms of the National KPI's required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the MSA. This KPI is linked to the National KPA - Good governance and public participation.

KPA and Indicators	Municipal achievement	Municipal achievement
	2016/17	2017/18
The percentage of the municipal capital budget spent by 30 June 2018 ((Actual amount spent /Total amount budgeted for capital projects)X100)	30.71%	81.76%

Table 13: National KPIs - Good governance and public participation performance

1.5.5 Financial overview

The table below indicates the Municipality's financial overview for the financial year:

Details	Original budget	Adjustment budget	Actual
Income			
Grants (transfer recognition)	106 261 000	166 315 868	154 001 006
Taxes, levies and tariffs (property and services)	151 481 618	150 130 679	141 297 816
Other (investments and own)	52 625 837	34 715 651	55 485 124
Sub total	310 368 455	351 162 198	350 783 946
Less expenditure	303 804 240	289 534 997	295 198 670
Net surplus/(deficit)	6 564 215	61 627 201	55 585 276

Table 14: Financial overview

1.5.6 Total capital expenditure

The table below indicates the Municipality's capital expenditure for the financial year:

Detail	2016/17	2017/18
	R'ooo	
Original budget	34 168	15 870
Adjustment budget	60 119	88 326
Actual	51 994	79 779
% Spent	86	90

Table 15: Total capital expenditure

CHAPTER 1: EXECUTIVE SUMMARY

1.6 Auditor-General report

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

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

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

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

- 🏠 **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation
- 🏠 **Unqualified audit with findings:** The financial statements contain material misstatements. Unless a clean audit outcome is expressed, findings will be raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects
- 🏠 **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or there is insufficient evidence to conclude that specific amounts included in the financial statements are not materially misstated
- 🏠 **Adverse audit opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements
- 🏠 **Disclaimer of audit opinion:** Insufficient evidence was provided in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements

BWM implemented MGRO as initiated by Provincial Treasury. MGRO is a Municipal Governance and Review Outlook plan to monitor the performance of municipalities within certain focus areas to ensure clean administration within the Western Cape.

1.6.1 Audited outcomes

The table below indicates the audit opinion received for the past 3 financial years:

Year	2015/16	2016/17	2017/18
Opinion received	Unqualified	Disclaimer	Qualified

Table 16: Audit outcomes

CHAPTER 2: GOOD GOVERNANCE

CHAPTER 2

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

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 Governance structure

2.1.1 Political governance structure

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

Council

The Council comprises of 13 elected Councillors made up from 7 Ward Councillors and 6 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties.

Below is a table that categorise the Councillors within their specific political parties and wards for 1 July 2017 to 25 February 2018:

Council members	Capacity	Political party	Ward representing or proportional	Number of meetings attended
J van der Linde (from 1 July 2017 to 25 February 2018)	Executive Mayor	DA	Ward 7	4
A Slabbert (from 1 July 2017 to 25 February 2018)	Executive Deputy Mayor	DA	Ward 2	4
E Wentzel (from 1 July 2017 to 25 February 2018)	Speaker	DA	Ward 6	4
O Haarvoor (from 1 July 2017 to 25 February 2018)	Full-time Councillor	DA	Ward 1	4
K Alexander (Resigned 13 November 2017)	Councillor	DA	Ward 1	3
D Welgemoed (Since 22 February 2018)	Councillor	DA	Ward 2	1
L Basson	Councillor	DA	Ward 3	4
N Constable	Councillor	KDF	Proportional	5
L Deyce	Councillor	ANC	Proportional	5
M Kilani	Councillor	ANC	Ward 5	5

CHAPTER 2: GOOD GOVERNANCE

Council members	Capacity	Political party	Ward representing or proportional	Number of meetings attended
Z Lambert	Councillor	ANC	Proportional	5
E Lawrence	Councillor	ANC	Proportional	4
S Motsoane	Councillor	ANC	Ward 4	5
T Prince	Councillor	ANC	Proportional	4

Table 17: Council (from 1 July 2017 to 25 February 2018)

Below is a table that categorise the Councillors within their specific political parties and wards for 26 February 2018 to 26 June 2018:

Council members	Capacity	Political party	Ward representing or proportional	Number of meetings attended
J van der Linde	Councillor	DA	Ward 7	4
A Slabbert	Councillor	DA	Ward 2	4
E Wentzel	Councillor	DA	Ward 6	4
O Haarvoor	Councillor	DA	Ward 1	4
K Alexander (Resigned 13 November 2017)	Councillor	DA	Ward 1	3
D Welgemoed (Since 22 February 2018)	Councillor	DA	Ward 2	1
L Basson	Councillor	DA	Ward 3	4
N Constable (from 26 February 2018 to 26 June 2018)	Executive Mayor	KDF	Proportional	5
L Deyce (from 26 February 2018 to 26 June 2018)	Full-time Councillor	ANC	Proportional	5
M Kilani (from 26 February 2018 to 26 June 2018)	Full-time Councillor	ANC	Ward 5	5
Z Lambert	Councillor	ANC	Proportional	5
E Lawrence	Councillor	ANC	Proportional	4
S Motsoane (from 26 February 2018 to 26 June 2018)	Speaker	ANC	Ward 4	5
T Prince (from 26 February 2018 to 26 June 2018)	Executive Deputy Mayor	ANC	Proportional	4

Table 18: Council (from 25 February 2018 to 26 June 2018)

CHAPTER 2: GOOD GOVERNANCE

Below is a table that categorise the Councillors within their specific political parties and wards from 27 June 2018 to 29 June 2018:

Council members	Capacity	Political party	Ward representing or proportional	Number of meetings attended
J van der Linde (from 27 June 2018 to 29 June 2018)	Executive Mayor	DA	Ward 7	4
A Slabbert (from 27 June 2018 to 29 June 2018)	Executive Deputy Mayor	DA	Ward 2	4
E Wentzel (from 27 June 2018 to 29 June 2018)	Speaker	DA	Ward 6	4
O Haarvoor (from 27 June 2018 to 29 June 2018)	Full-time Councillor	DA	Ward 1	4
K Alexander (Resigned 13 November 2017)	Councillor	DA	Ward 1	3
D Welgemoed (Since 22 February 2018)	Councillor	DA	Ward 2	1
L Basson	Councillor	DA	Ward 3	4
N Constable	Councillor	KDF	Proportional	5
L Deyce	Councillor	ANC	Proportional	5
M Kilani	Councillor	ANC	Ward 5	5
Z Lambert	Councillor	ANC	Proportional	5
E Lawrence	Councillor	ANC	Proportional	4
S Motsoane	Councillor	ANC	Ward 4	5
T Prince (from 26 February 2018 to 26 June 2018)	Councillor	ANC	Proportional	4

Table 19: Council (from 27 June 2018 to 29 June 2018)

The table below indicates the Council meeting attendance for the 2017/18 financial year:

Meeting dates	Council meetings attendance	Apologies for non-attendance
25 July 2017	12	1
31 August 2017	13	0
3 October 2017	13	0
24 April 2018	7	6
29 May 2018	13	0

Numbers between brackets indicate non-attendance without apology

Table 20: Council meetings

CHAPTER 2: GOOD GOVERNANCE

b) Executive Mayoral Committee

After 1 July 2017 the Executive Mayor of the Municipality, Alderman J van der Linde, assisted by the Mayoral Committee, headed the executive arm of the Municipality. After 26 February 2018 due to a change in the DA and KDF coalition the Executive Mayor, Councillor N Constable assisted by the Mayoral Committee, headed the executive arm of the Municipality. Due to a court order that stipulated that the meeting of 26 February 2018 was illegal, the Executive Mayor, Alderman J van der Linde, assisted by the Mayoral Committee, headed the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in the Executive Mayor to manage the day-to-day affairs. This means that the Executive Mayor has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation.

Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each member of the Mayoral Committee is listed in the table below for the period 01 July 2017 to 26 February 2018:

Name of member	Capacity
Alderman J van der Linde	Executive Mayor
Councillor A Slabbert	Deputy Executive Mayor
Councillor O Haarvoor	Full-time Councillor

Table 21: Mayoral Committee members (1 July 2017 to 26 February 2018)

The name and portfolio of each member of the Mayoral Committee is listed in the table below for the period 26 February 2018 to 26 June 2018:

Name of member	Capacity
Councillor N Constable	Executive Mayor
Alderman T Prince	Deputy Executive Mayor
Councillor L Deyce	Full-time Councillor
Councillor M Kilani	Full-time Councillor

Table 22: Mayoral Committee members (26 February 2018 to 26 June 2018)

The name and portfolio of each member of the Mayoral Committee is listed in the table below for the period 26 June 2018 to 30 June 2018:

Name of member	Capacity
Alderman J van der Linde	Executive Mayor
Councillor A Slabbert	Deputy Executive Mayor
Councillor O Haarvoor	Full-time Councillor

Table 23: Mayoral Committee members (26 June 2018 to 30 June 2018)

CHAPTER 2: GOOD GOVERNANCE

The table below indicates the dates of the Mayoral Committee meetings and the number of reports submitted to Council for the 2017/18 financial year:

Meeting date	Number of reports submitted to Council
6 September 2017	9
11 September 2017	
4 December 2017	
8 December 2017	
18 December 2017	
5 March 2018	
27 June 2018	
28 June 2018	
29 June 2018	

Table 24: Executive Mayoral Committee meetings

c) Portfolio Committees

The MSA provides for the establishment of Section 79 and Section 80 Committees.

Section 79 Committees are Council committees, appointed by Council for a specific purpose and accounting to Council section 79 Committees must be composed to reflect the way in which parties and interest are reflected in Council.

Council has established the following Section 79 Committees:

- 🏛️ Financial and Development Committee
- 🏛️ Corporate Services and Social Development Committee
- 🏛️ Human Resource (HR) Development Committee
- 🏛️ Municipal Resource Development Committee

The portfolio committees and their chairpersons for the period 1 July 2017 to 28 March 2018 were as follows:

Chairperson	Other members	Number of minutes submitted to Council	Meeting dates
Financial and Development Committee			
Alderman J van der Linde	O Haarvoor	1	16 October 2017 19 October 2017
	A Slabbert		
	T Prince		
Corporate Services and Social Development Committee			
K Alexander	L Basson	0	N/A
	E Wentzel		
	S Motsoane		
	E Lawrence		
HR Development Committee			
E Wentzel	J van der Linde	0	N/A
	N Constable		
	Z Lambert		

CHAPTER 2: GOOD GOVERNANCE

Chairperson	Other members	Number of minutes submitted to Council	Meeting dates
	O Haarvoor		
Municipal Resource Development Committee			
N Constable	A Slabbert	2	14 August 2017 17 October 2017
	O Haarvoor		
	M Kilani		

Table 25: Portfolio Committees (1 July 2017 to 28 March 2018)

The portfolio committees and their chairpersons for the period 29 March 2018 to 26 June 2018 were as follows:

Chairperson	Other members	Number of minutes submitted to Council	Meeting dates
Financial and Development Committee			
N Constable	S Motsoane	0	N/A
	Z Lambert		
	J van der Linde		
Corporate Services and Social Development Committee			
SM. Motsoane	Z Lambert	0	N/A
	L Deyce		
	E Lawrence		
	A Slabbert		
HR Development Committee			
T Prince	L Deyce	0	N/A
	M Kilani		
	N Constable		
	E Wentzel		
Municipal Resource Development Committee			
M Kilani	N Constable	0	N/A
	L Deyce		
	T Prince		
	D Welgemoed		

Table 26: Portfolio Committees (29 March 2018 to 26 June 2018)

CHAPTER 2: GOOD GOVERNANCE

The portfolio committees for the 2016/17 financial year term and their chairpersons for the period 27 June 2018 to 29 June 2018 were as follows:

Chairperson	Other members	Number of minutes submitted to Council	Meeting dates
Financial and Development Committee			
Alderman J van der Linde	O Haarvoor	1	16 October 2017 19 October 2017
	A Slabbert		
	T Prince		
Corporate Services and Social Development Committee			
K Alexander	L Basson	0	N/A
	E Wentzel		
	S Motsoane		
	E Lawrence		
HR Development Committee			
E Wentzel	J van der Linde	0	N/A
	N Constable		
	Z Lambert		
	O Haarvoor		
Municipal Resource Development Committee			
N Constable	A Slabbert	2	14 August 2017 17 October 2017
	O Haarvoor		
	M Kilani		

Table 27: Portfolio Committees (27 June 2018 to 29 June 2018)

2.1.2 Administrative governance structure

The Municipal Manager is the accounting officer of the Municipality. He is the head of the administration and primarily must serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the management team, whose structure is outlined in the table below:

Name of official	Department	Performance agreement signed
		Yes/No
KJ Haarhoff	Municipal Manager	Yes
AC Makendlana	Director: Corporate Services	Yes
CJ Kymdell	Director: Financial Services	Yes
RE van Staden	Director: Electro Technical Services	Yes

Table 28: Administrative governance structure

CHAPTER 2: GOOD GOVERNANCE

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.2 Intergovernmental relations

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

a) Intergovernmental structures

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

Name of structure	Members	Outcomes of engagements/topics discussed
Municipal Managers forum	South African Government Association (SALGA) neighbouring municipalities Municipal Managers	District base initiative
Premiers Coordinating	Municipal Managers and Executive Mayor	Responsive, effective and efficient local government system
SALGA Working Groups	All Councillors participates in the different SALAGA working groups	Cooperative governance, consultation, coordinate by the on and participative decision-making
Integrated development plan (IDP) Managers forum	IDP manager	IDP process plans adopted, progress with regards to joint planning initiatives as agreed upon by the Municipality and sector departments
Local Economic development (LED) Managers forum	IDP manager	Departments of Economics Development to assist in review of the LED strategy
Supply Chain Management (SCM) forum	Manager: SCM	Enhance municipality financial and administrative capability
Integrated Waste Management forum	Waste Management: Superintended	Waste minimisation and campaigns
IDP Indabas	IDP Manager and all directors	Resources Agree on joint priorities and commit resources to implement these priorities
Provincial Public Participation and Commutation forum	Personal assistant to the speaker	Ensure the coordinated and Coherent implementation and establishment of the ward participatory process to encourage the involvement of communities and organisations ensure in matters of local government
Provincial Skills Development	Skills Development Facilitator	Ensure and improve training delivery system in the province
HR Practitioners forum	Manager: HR	Educational attainment, skills development, science and innovation and labour, market/ employment policies

Table 29: Intergovernmental structures

b) Joint projects and functions with sector departments

All the functions of government are divided between the different spheres of government. The Municipality therefore share their area and community with other spheres of government and their various sector departments and must work closely with national and provincial departments to ensure the effective implementation of various projects and functions.

CHAPTER 2: GOOD GOVERNANCE

The table below provides detail of such projects and functions:

Name of project/function	Expected outcomes of the project	Sector departments involved	Contribution of sector department
Skills treat Centre	Construction Centre for practical development	Cervices and construction seta's	Funding
Development of boreholes	Supply of water	Department of Mineral and resources	Funding
Water awareness campaign	Educate communities about the shortage of water, and how their will save waters	Department of water and sanitation GCIS Department of local government	Funding

Table 30: Joint projects and functions

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

- 🏠 the preparation, implementation and review of the IDP;
- 🏠 establishment, implementation and review of the performance management system;
- 🏠 monitoring and review of performance, including the outcomes and impact of such performance; and
- 🏠 preparation of the municipal budget.

2.3 Public meetings

The table below indicates the public meetings arranged and dates that it took place on:

Venue	Ward	Date
Nelspoort and surroundings- Rustville Primary School	2	10 April 2018
Essopville, Nieuveld Park, Mandela Square-Geel Saal	3	11 April 2018
Murraysburg and surrounding arrears-Murraysburg Town Hall	1	24 April 2018
Toekomsrus, Hillside 1 and 2 Barakke- Beaufort West Primary School	7	7 May 2018
Rustdene. Prince Valley 2 – Pinkster Eenheid Kerk	6	8 May 2018
Kwa Mandlenkosi Community Hall	4 and 5	9 May 2018
Voortrekker Sport Ground	2	14 May 2018
Merweville – George Fredericks Primary School	7	14 May 2018

Table 31: Public meetings

CHAPTER 2: GOOD GOVERNANCE

2.4 Ward committees

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

2.4.1 Ward Committees (1 July 2017 – 30 June 2018)

The tables below indicate each ward with their associated members and dates of meetings:

a) Ward 1: Murraysburg and Murraysburg rural areas

Name of representative	Capacity representing	Dates of meetings held during the year
J Martin	Welfare/Development	20 July 2017 9 Augustus 2017 9 May 2018 4 April 2018 7 June 2018 6 March 2018
V Mdlikwena	Unemployment	
D Oerson	Youth	
A Johnson	N/A	
N Louw	Education	
A Hoffman	Education/Religion	
S Mtsikolo	Environmental Interest Group/Sport	
N Fywers	Health	
J Jonas	Community Based Organisation	
G Zahela	Senior Citizens/Disability	

Table 32: Ward 1: Committee meetings

b) Ward 2: Nelspoort, Nelspoort Rural, Noord Einde, part of Hillside, central town, part of rural areas of Beaufort West and part of Hospital Hill

Name of representative	Capacity representing	Dates of meetings held during the year
S Solomons	Education	20 July 2017 17 July 2017 15 August 2017 8 September 2017 12 September 2017 3 November 2017 14 November 6 June 2018
B Mexhegwana	N/A	
R Wickers	N/A	
J Bosman	Church/Social Groups/Community	
M Breda	Religion	
M Booysen	Health	
S November	CWP/Community	
A Jonkers	Youth program	
J Lodewyk	Policy Safety/Security	
D Welgemoed	Councillor	

Table 33: Ward 2: Committee meetings

CHAPTER 2: GOOD GOVERNANCE

c) Ward 3: Part of Rustdene, Essopville and Nieuveld Park

Name of representative	Capacity representing	Dates of meetings held during the year
J Pause	Unemployment	
E Arendse	People with Disabilities	
T Basson	N/A	
J Wentzel	Youth	21 August 2017
H Frazenburg	Youth	14 November 2017
E Jacobs	Sport	5 December 2017
K Fortuin	N/A	9 May 2018
L Bosman	Welfare	13 March 2018
A Plaatjies	Labour	12 June 2018
E Lottering	Health	
G De Vos	Faith	

Table 34: Ward 3: Committee meetings

d) Ward 4: Part of Kwa Mandlenkosi, De Lande, part of central town and southern part of Hospital Hill

Name of representative	Capacity representing	Dates of meetings held during the year
N Kratzi	N/A	
H Marli	N/A	
B Khedama	N/A	11 July 2017
S Ndyalivane	N/A	23 October 2017
A Swanepoel	N/A	1 November 2017
X Voorslag	N/A	7 November 2017
S Banda	N/A	1 December 2017
N Dyani	N/A	10 April 2018
Z Mdlkiva/F Njoli	N/A	25 June 2018

Table 35: Ward 4: Committee meetings

e) Ward 5: Part of Kwa Mandlenkosi, part of Rustdene, Paddavlei, Hoooyvlakte, New Lands and New Town

Name of representative	Capacity representing	Dates of meetings held during the year
J Ceasor	Business Sector	
G Louw	Women in the Community	10 October 2018
E Grootboom	Clinics in Community	9 November 2017
S Louw	Clinics	24 December 2017
M de Boer	Youth & Disability	17 February 2018
A Lottering	Governing Bodies	22 March 2018
J Johnson	Crime & Drugs	30 April 2018
E Mapotolo	Communities	22 May 2018
A Mdlkiva	Governing Bodies	11 June 2018
S Dyson	Clinics in the Communities	16 June 2018

Table 36: Ward 5: Committee meetings

CHAPTER 2: GOOD GOVERNANCE

f) Ward 6: Part of Rustdene and Prince Valley

Name of representative	Capacity representing	Dates of meetings held during the year
A Daniels	Children	11 July 2017
R Adonis	Faith	12 September 2017
E Links	Neighbourhood Watch	10 October 2017
M Kratshi	Municipal Issues	6 November 2017
F Martin	Faith	6 December 2017
E Mostersd	Sport	9 January 2018
V Louw	Neighbourhood Watch	16 March 2018
J Esau	Women	10 April 2018
		8 May 2018
		14 May 2018
		10 June 2018
		11 June 2018
		12 June 2018

Table 37: Ward 6: Committee meetings




g) Ward 7: Part of rural Beaufort West, part of Hillside I and II, Toekomsrus, Merweville and rural parts of Merweville

Name of representative	Capacity representing	Dates of meetings held during the year
C Van Zyl	Women and Safety	
M Van der Horst	Women	11 July 2017
T Bostander	Transport	12 July 2017
D Klein	Youth	5 December 2017
N Johnson	N/A	9 January 2018
T Sam	Sport & Culture	17 April 2018
E Daniels	Women	6 May 2018
J Spogter	Caring Hands	8 May 2018
F Everson	Business	12 June 2018
E Baadjies	Sports	13 June 2018

Table 38: Ward 7: Committee meetings

2.5 Functionality of Ward Committees

The purpose of a ward committee is:

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

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

CHAPTER 2: GOOD GOVERNANCE

The table below provides information on the ward committees and their functionality for the 2017/18 financial year:

Ward number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
Ward 1	Yes	6	Yes
Ward 2	Yes	8	Yes
Ward 3	Yes	7	Yes
Ward 4	Yes	7	Yes
Ward 5	Yes	12	Yes
Ward 6	Yes	9	Yes
Ward 7	Yes	9	Yes

Table 39: Functioning of ward committees (before elections)

2.6 Representative forums

2.6.1 Labour Forum

The table below specifies the members of the Labour Forum for the 2017/18 financial year:

Name of representative	Capacity	Meeting dates
K Alexander (until December 2017)	Councillor	
N Constable	Councillor	
O Haarvoor	Councillor	
J van der Linde (until February 2018)	Councillor/Chairperson	12 July 2017
T Prince	Alderman	7 August 2017
Z Lambert (from February 2018)	Councillor/Chairperson	28 August 2017
M Kilani (from February 2018)	Councillor	23 October 2017
I Jacobs	SAMWU	24 October 2017
H Maans	SAMWU	15 November 2017
G Daniels	SAMWU	22 November 2017
E Molowitz	SAMWU	13 February 2018
W Magida	SAMWU	28 May 2018
W van der Horst	IMATU	7 June 2018
C Lottering	IMATU	14 June 2018
M Govender/L Nieuwenhuizen	IMATU	

Table 40: Labour Forum

CHAPTER 2: GOOD GOVERNANCE

COMPONENT D: CORPORATE GOVERNANCE

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

2.7 Risk management

To maintain an overall positive perception of the Municipality and confidence in the Municipality from the public and other stakeholders, well planned goals and objectives should be coordinated and achieved within the Municipality. Section 62(1) of the MFMA stipulates that the Accounting Officer must take all reasonable steps to ensure that the municipality has and maintains an effective, efficient and transparent system of financial and risk management and internal control as well as the effective, efficient and economical use of the resources of the municipality. BWM has instituted a systematic and formalised process to identify, assess, manage and monitor risks which effectively ensures achievement of those planned goals and objectives. Thus, risk management is essentially a good governance measure instituted to ensure the municipality accomplish its vision, mission and strategic plans.

The Municipality has an approved Risk Management Policy, Framework and Implementation Plan as approved by Council on 23 January 2017 (resolution number 8.15 5/12/2/1). The policy is reviewed annually by the Risk Committee and submitted to the Municipal Manager for approval.

The risk management function is facilitated internally by the internal audit division and externally by a service provider to ensure the following functions are performed:

- 🏛️ Assisting management to develop and implement the Risk Management Policy, Strategy and Implementation Plan;
- 🏛️ Coordinating risk management activities;
- 🏛️ Facilitating identification and assessment of risks;
- 🏛️ Recommending risk responses to management; and
- 🏛️ Developing and disseminating risk reports.

a) Risk assessment process

The risk assessment for the 2017/18 financial year was completed during November 2017 where risks were identified and categorised into the following groups:

- 🏛️ Operational risks
- 🏛️ Strategic risks

The risks identified were classified into high, medium and low risks to determine the inherent risk (impact risk has before taking controls into consideration). The risk rating is determined by a 10 X 10 risk matrix.

CHAPTER 2: GOOD GOVERNANCE

b) Top strategic risks

As part of the risk assessment, management identifies current controls, which mitigates the inherent risks identified. After considering controls, the identified risks will receive a residual risk.

After the residual risks have been determined it will be categorised again according to high, medium and low risks, where after management determines which of the risks require further actions to mitigate the impact it may have.

The top ten risks of the Municipality for the financial year were as follow:

Risk level	Risk	Directorate	Impact	Likelihood	Risk rating
Low	Impact of drought	Strategic	10	10	100
Medium	Financial feasibility in the long term	Strategic	9.5	9.5	90.25
Medium	Ageing and deteriorating infrastructure	Strategic	9	10	90
Medium	Excessive water losses	Engineers	9	10	90
Medium	Non-compliance to OHS Act	Strategic	9	9	81
Medium	Decentralised SCM unit resulting in corruption and bypassing of SCM processes	Financial	9	10	90
Medium	Loss of key data (Data management outsourced to service provider with no controls vested in the Municipality)	Community	9	10	90
Medium	Lack of funding (Need to expand landfill site in the near future)	Strategic	9	9.50	85.5
Medium	Vandalism and misuse of Municipal Property	Strategic	9	9	81
High	Insufficient Contract Management	Strategic	9	9	72

Table 41: Strategic risks

c) Organisational risk assessment

The table below reflects the annual risk assessments for the past two financial years, reflecting the change in the risk profile:

2016/17			2017/18		
Risk categories	Risks	% of all risk	Risk categories	Risks	% of all risks
High	68	25	High	72	28
Medium	177	65	Medium	166	66
Low	26	10	Low	15	6
Total	271	100	Total	253	100

Table 42: Risk profile

d) Risk Committee

The role of the Risk Committee is to provide timely and useful enterprise risk management reports to the Audit Committee of the Municipality. The reports contain the current top risks of the Municipality, which includes:

- Key strategic and financial risks facing the Municipality (all extreme and high risk exposures)
- Key operational risks per strategic goal (top 5 risks per objective as per risk exposure from high to low)

CHAPTER 2: GOOD GOVERNANCE

The Risk Committee consists of the following members:

Name of Committee Member	Capacity	Meeting dates
R Naidoo	CAE & CRO	19 September 2017 13 December 2017 22 March 2018
K Haarhoff	Chairperson	
A Makendlana	Member	
C Kymdell	Member	
V Ruiters	Member	
N Kotze	Member	
R van Staden	Member	
Y Duimpies	Member	

Table 43: Members of the Risk Committee

2.8 Anti-corruption and anti-fraud

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

a) Developed strategies








Name of strategy	Developed Yes/No	Dates adopted
Anti-corruption Strategy and Response Plan	Yes	30 August 2016
Anti-corruption Strategy and Response Plan	Yes	24 April 2018

Table 44: Strategies and response plan

2.9 Audit and Performance Audit Committee

a) Functions of the Audit Committee (AC)

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

-  To advise Council on all matters related to compliance and effective governance
-  To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, Division of Revenue Act (DoRA) and other applicable legislation
-  Respond to Council on any issues raised by the Auditor-General in the audit report
-  Carry out investigations into the financial affairs of the municipality as Council may request
-  Review the quarterly reports submitted by internal audit
-  Evaluate audit reports pertaining to financial, administrative and technical systems
-  Evaluate the compliance to existing policies and relevant legislation

CHAPTER 2: GOOD GOVERNANCE

- 🏠 Review the performance management system and make recommendations in this regard to Council
- 🏠 Assess whether the performance indicators are sufficient
- 🏠 Determine possible reasons for discrepancies between performance and targets
- 🏠 Identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- 🏠 To review the annual report of the municipality
- 🏠 Investigating cases of fraud, misbehaviour and conflict of interest involving employees
- 🏠 Review the plans of internal audit and ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- 🏠 Review audit results and action plans implemented by management
- 🏠 Provide support to internal audit
- 🏠 Ensure that no restrictions or limitations are placed on internal audit

b) Functions of the Performance Audit Committee

The regulations require that the Performance Audit Committee (PAC) is comprised of a minimum of three members, the majority of whom are external (neither a Councillor nor an employee) of the municipality. Section 14(2)(b) of the Regulations further stipulates that the PAC must include at least one person who has expertise in performance management. It is also a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the PAC who is neither a Councillor nor an employee of the municipality as the chairperson of the committee.

Both the Regulations and the MFMA, indicate that three is the minimum number of members needed to comprise a PAC. While the regulations preclude the appointment of a Councillor as chairperson of the PAC, the MFMA excludes the involvement of a Councillor in the composition of a PAC entirely.

In accordance with the requirements of Section 14(2)(e) of the Regulations, if the chairperson is absent from a specific meeting of the committee, the members present must elect a chairperson from those present to act as chairperson for that meeting.

Further, Section 14(2)(f) of the Regulations provides that, in the event of a vacancy occurring amongst the members of the PAC, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

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

In terms of Section 14(4)(a) of the Regulations the PAC has the responsibility to -

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

CHAPTER 2: GOOD GOVERNANCE

c) Members of the PAC

The table below indicates the names of the members of the AC and PAC:

Name of representative	Capacity	Meeting dates
Mr K Mckay	Chair: AC & PAC	31 August 2017
Mr Y Duimpies	Member: AC & PAC	12 December 2017
Mr A Augustyn	Member: AC & PAC	22 March 2018
		12 June 2018
		28 June 2018

Table 45: Members of the AC and PAC

2.10 Internal audit

Section 165(2)(a) and (b)(iv) of the MFMA requires that the internal audit unit of a municipality prepare a risk based audit plan and an internal audit program for each financial year; advise the accounting officer and report to the AC on the implementation on the internal audit plan and matters relating to:

- 🏠 internal audit;
- 🏠 internal controls;
- 🏠 accounting procedures and practices;
- 🏠 risk and risk management;
- 🏠 performance management;
- 🏠 loss control;
- 🏠 compliance with this Act, the annual Division of Revenue Act and any other applicable legislation, and
- 🏠 perform other duties as may be assigned to it by the accounting officer.

The Municipality has an in-house internal audit function.

a) Annual audit plan

The table below provides detail on audits completed:

Description			Date completed
Phase 1			
Operational and strategic risk assessment			June 2014
Phase 2			
Compilation of Risk Based Audit Plan			30 June 2017
Phase 3			
Type of audit engagement	Department	Detail	Date completed
Grants/DORA	Strategic	To ensure that the grant processes comply with the DORA requirements.	June 2018
Quarterly audit of Performance Management	Strategic	Quarterly audit of the performance management system	December 2018 March 2018 May 2018 August 2018

CHAPTER 2: GOOD GOVERNANCE

Description			Date completed
Expenditure Section	Financial Services	Audit of the bank & cashbook, electronic payments, purchasing process, expenditure management and creditors	April 2018
Supply Chain Management	Financial Services	To ensure the deviations comply with the SCM Regulations and Policy	May 2018
Traffic fines	Community Services	To perform traffic fines reconciliations	March 2018
Cost Containment Review	Strategic	To ensure that cost containment measures are implemented	September 2017
Review of Irregular Expenditure register and operating leases	Strategic	To ensure compliance with applicable legislation	August 2017
Ad-hoc Investigation: Murraysburg Income received	Financial Services	To give an opinion the cash received at the Murraysburg Office	March 2018
Ad-hoc Assignments: Maintenance on proclaimed Main road	Engineering Services	To provide assurance regarding the effectiveness of internal controls for maintenance on proclaimed roads	March 2018 April 2018
Forensic Investigation into alleged irregularities pertaining to BWM	Western Cape: Department of Local Government	To investigate various alleged irregularities pertaining to traffic and irregular expenditure	February 2018
Expenditure Section	Financial Services	To ensure compliance with applicable legislation	In Progress
HR & Payroll Audit	Corporate and Financial Services	To ensure compliance with applicable legislation	In Progress
Enterprise Risk Management	Strategic	To ensure compliance with applicable legislation	In Progress
Review of abuse and misuse of Municipal Vehicles	Strategic	To make recommendations to management to implement internal controls regarding the monitoring of the use of municipal vehicles	In Progress
Review on the mSCOA self-assessment 5	Financial Services	To provide assurance on the overall progress on the mSCOA implementation	January 2018

Table 46: Internal audit plan

2.11 By-laws and policies

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies.

Below is a list of the by-laws developed and reviewed during the financial year:

By-law developed/revised	Date proclaimed	Public participation conducted prior to adoption of by-Law Yes/No
Rates	29 May 2018	No
Indigent	29 May 2018	No
Credit Control and Debt	29 May 2018	No

Table 47: By-laws developed and reviewed

CHAPTER 2: GOOD GOVERNANCE

2.12 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community.

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

Communication activities	Yes/No
Communication Strategy	In draft process to be adopted by Council
Communication Policy	Yes
Functional complaint management systems	Yes

Table 48: Communication activities

Additional communication channels utilised

Channel	Yes/No	Number of people reached
SMS system	Yes	300

Table 49: Additional communication channels

The Municipality also communicates to the community through the local radio station and has a permanent weekly spot. Local newspaper is also utilized as well as flyers and community meetings.

2.13 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and Section 21A and B of the MSA as amended.

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

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical and postal address of the Municipality	Yes
Financial information (Sections 53, 75, 79 and 81(1) of the MFMA)	
Tabled Budget 2017/18	Yes
Adjusted Budget 2017/18	Yes
Asset Management Policy	Yes
Customer Care, Credit Control and Debt Collection Policy	Yes
Indigent Policy – Part of Credit Control Debt Collection Policy	Yes
Funds and Reserves Policy	Yes
Investment and Cash Management Policy	Yes
Rates Policy	Yes
SCM Policy	Yes

CHAPTER 2: GOOD GOVERNANCE

Description of information and/or document	Yes/No and/or Date Published
Tariff Policy	Yes
Virement Policy	Yes
Petty Cash Policy – Part of SCM Policy	Yes
Travel and Subsistence Policy	Yes
Long Term Financial Policy	Yes
Borrowing Policy	Yes
SDBIP 2016/17	Yes
Budget and Treasury Office Structure	Yes
IDP and public participation (Section 25(4)(b) of the MSA and Section 21(1)(b) of the MFMA)	
Reviewed IDP for 2017/18	Yes
IDP Process Plan for 2017/18	Yes
SCM (Sections 14(2), 33, 37 and 75(1)(e) and (f) and 120(6)(b) of the MFMA and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	No
Long-term borrowing contracts	Yes
SCM contracts above R 30 000	Yes
Service delivery agreements	Yes
Reports (Sections 52(d), 71, 72 and 75(1)(c) and 129(3) of the MFMA)	
Annual Report of 2016/17	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly reports	No
Monthly budget statement	No
LED (Section 26(c) of the MSA)	
LED Strategy	No
Economic profile	No
LED projects	No
Performance management (Section 75(1)(d) of the MFMA)	
Performance agreements for employees appointed as per S57 of MSA (Municipal Manager only)	Yes
Assurance functions (Sections 62(1), 165 and 166 of the MFMA)	
Internal Audit Charter	No
AC Charter	No
Risk Management Policy, Strategy and Implementation Plan	No

Table 50:

Website checklist

CHAPTER 2: GOOD GOVERNANCE

2.14 SCM

The SCM Policy of BWM is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

2.14.1 Competitive bids in excess of R200 000

a) Bid committee meetings

The following table details the number of Bid Committee meetings held for the 2017/18 financial year:

Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
7	13	13

Table 51: Bid committee meetings

The members of the bid committees for the financial year were:

Bid Specifications Committee	Bid Evaluation Committee	Bid Adjudication Committee
C De Koker	C De Koker r	C De Koker
K. Taute	K Taute	HJ Mientjies
DS Le Roux	DS Le Roux	DS le Roux
AC Makendlana	AC Makendlana	AC Makendlana
SA Pothberg	V Ruiters	F Sabbat
F Sabbat	HJ Meintjies	K Taute
P. Lande	SA Pothberg	SA Pothberg
PDV Strümpher	N Kotze	PDV Strümpher
RE van Staden	JB Abrahams	JB Abrahams
V Ruiters	PDV Strümpher	HJ Meintjies
HJ Meintjies	RE van Staden	RE van Staden
EJJ van Staden	P. Lande	V Ruiters
CB Wright	CB Wright	D Hawker
RW Summers	N Kotze	A Jacobs
JB Abrahams	HJ Mientjies	
N Kotze		
HJ Mientjies		

Table 52: Members of bid committees

CHAPTER 2: GOOD GOVERNANCE

b) Awards made by the Bid Adjudication Committee

The highest bids awarded by the Bid Adjudication Committee are as follows:

Bid number	Date of award	Title of bid	Successful bidder	Value of bid awarded (R)
SCM 03/2018	14/05/2017	Upgrading of Klein Hans Rivier scheme: Phase 1	De Jagers Loodgieters Kontrakteurs	5 835 096.50
Tender No 02/2016	17/07/2018	Transversal Contract - Drakenstein Municipality- Tender No Inc 02/2016: Provision and Administration of a Pre-Paid Electricity and/ or Water Vending System Until 30 June 2019	Utilities World (Pty) Ltd	% base tender
SCM 17/2018	17/07/2018	Professional Services: Short Term Insurance Portfolio for a Period of 3 Years	Aon South Africa (Pty) Ltd	2 814 925.00
SCM 15/2018	25/07/2018	Contract for the High Mast and Street Lighting Projects on behalf of Beaufort West Municipality for the Period Ending March 2021	V.E Reticulations	2 537 202.91

Table 53: Highest bids awarded by Bid Adjudication Committee

c) Awards made by the accounting officer

There were no awards made by the Accounting Officer in the 2017/18 financial year.

d) Appeals lodged by aggrieved bidders

No appeals have been received for the 2017/18 financial year. Only enquiries on tender outcomes.

2.14.2 Deviation from normal procurement processes

The following table provides a summary of deviations approved on an annual and monthly basis respectively:

Type of deviation	Number of deviations	Percentage of total deviations number	Value of deviations (R)	Percentage of total deviations value
Emergency	5	2.89	398 444.70	12.72
Sole Supplier	14	8.09	1 006 197.99	32.13
Any other exceptional case where it is impossible or impractical to follow the official procurement process	45	26.01	467 120.12	14.92

Table 54: Summary of deviations

CHAPTER 2: GOOD GOVERNANCE

Clause 36(1)(a)(v)- Deviations- impractical and or impossible:

Type of deviation	Number of deviations	Percentage of total deviations number	Value of deviations R	Percentage of total deviations value
Any contract relating to the publication of notices and advertisements by the Municipality	8	4.46	77 420.00	2.47
Any contract with an organ of state, a local authority or a public utility corporation or company	17	9.83	211 892.44	6.77
The appointment of any person to provide professional advice or services, where the value of such appointment is less than R200 000	13	7.51	145 525.51	4.65
Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required to call for bids	71	41.04	825 237.47	26.35

Table 55: Clause 36(1)(a)(v)- deviations- impractical and or impossible

2.14.3 Logistics management

The system of logistics management must ensure:

- 🏠 the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- 🏠 the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- 🏠 the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- 🏠 before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- 🏠 appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- 🏠 regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- 🏠 monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Each stock item at the municipal stores are coded and are listed on the financial system. Monthly monitoring of patterns of issues and receipts are performed by the storekeeper.

CHAPTER 2: GOOD GOVERNANCE

Inventory levels are set at the start of each financial year. These levels are set for normal operations. If special projects are being launched by departments, such information must be communicated timely to the stores section for them to order stock more than the normal levels.

Internal controls are in place to ensure that goods and service that are received are certified by the responsible person.

Regular checking of the condition of stock is performed. Quarterly stock counts are performed at which surpluses, deficits, damaged and redundant stock items are identified and reported to Council.

As at 30 June 2018, the value of stock at the municipal stores amounted to is **R3 513 997.14** (R3 207 174.57 in 2016/17). For the 2017/18 financial year no surpluses, no deficits and no damaged stock items were reported

The system of disposal management must ensure the following:

- 🏠 Immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise, as community value makes up for the lower market value
- 🏠 Movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous
- 🏠 Firearms are not sold or donated to any person or institution within or outside the republic unless approved by the National Conventional Arms Control Committee
- 🏠 Immovable property is let at market related rates except when the public interest or plight of the poor demands otherwise
- 🏠 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed
- 🏠 Where assets are traded in for other assets, the highest possible trade-in price is negotiated
- 🏠 In the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment

Assets must be disposed of in terms of Council's Asset Management and Immoveable Property Management Policy

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2017/18 in terms of the deliverables achieved compared to the KPI's and objectives in the IDP. It includes an overview on achievement in 2017/18 when compared to actual performance in 2016/17.

3.1 Overview of performance within the organisation

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

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

The constitution of S.A (1996), Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195(1) are linked with the concept of performance management, regarding the principles of *inter alia*:

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

The MSA, 2000 requires municipalities to establish a performance management system. Further, the MSA and the MFMA requires the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget via the service delivery and the budget implementation plan (SDBIP).

Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation but also to the individuals employed in the organisation and the external service providers and municipal entities. This framework, *inter alia*, reflects the linkage between the IDP, budget, SDBIP and individual and service provider performance.

The Municipality adopted a performance management framework that was approved by Council on in 2009.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.1.1 Legislative requirements

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational performance

Strategic performance indicates how well the Municipality meet its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP per strategic objective and the National KPI's prescribed in terms of Section 43 of the MSA.

3.1.3 The performance system followed for 2017/18

a) The IDP and the budget




The IDP and the budget for 2017/18 was reviewed and approved by Council on 31 May 2017. The IDP and performance management processes are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation, management, monitoring and evaluation of the IDP.

The SDBIP was prepared as described in the paragraphs below and the Top Layer SDBIP approved by the Executive Mayor on 17 July 2017.

3.1.4 Performance management

a) Organisational performance

The organisational performance is monitored and evaluated via the SDBIP and the performance process can be summarised as follows:

-  The Top Layer SDBIP was approved by the Mayor on 17 July 2017 and the information was loaded on an electronic web-based system
-  The web-based system sent automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against KPI targets by the 15th of every month for the previous month's performance
-  The performance system administrator reminded all departments on a monthly basis to update their actual performance on the web-based system

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The first quarterly report was submitted to Council on 26 January 2018. The second quarterly report together with the Section 72 Report was also submitted before on the 26 January 2018. The 3rd Quarterly Report was not submitted before Council and that the 4th Quarterly Report was submitted before Council on the 26 January 2018.

b) Individual performance management

i) Municipal Manager and managers directly accountable to the Municipal Manager

The MSA prescribes that the Municipality must enter into performance agreements with all Section 57 employees and that performance agreements must be reviewed annually. This process and format is further regulated by Regulation 805 (August 2006). The performance agreements for the 2017/18 financial year were signed as follows:

Performance Agreement	Date
Director: Corporate Services	27 July 2017
Director: Engineering Services	Vacant
Director: Financial Services	31 October 2017
Director: Electro Technical Services	27 July 2017
Municipal Manager	22 November 2017

Table 56: Performance agreement: Signed date

The appraisal of the actual performance in terms of the signed agreements should take place twice per annum as regulated. However, no performance evaluations for 2017/18 have been conducted due to the instability of Council. The final evaluation for the 2017/18 financial year will be conducted in October/November of this year.

3.2 Introduction to strategic and municipal performance for 2017/18

3.2.1 Strategic SDBIP

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

In the detail below the performance achieved is illustrated against the Top Layer SDBIP according to the IDP (strategic) objectives.

The following table explains the method by which the overall assessment of actual performance against targets set for the KPI's of the SDBIP is measured:

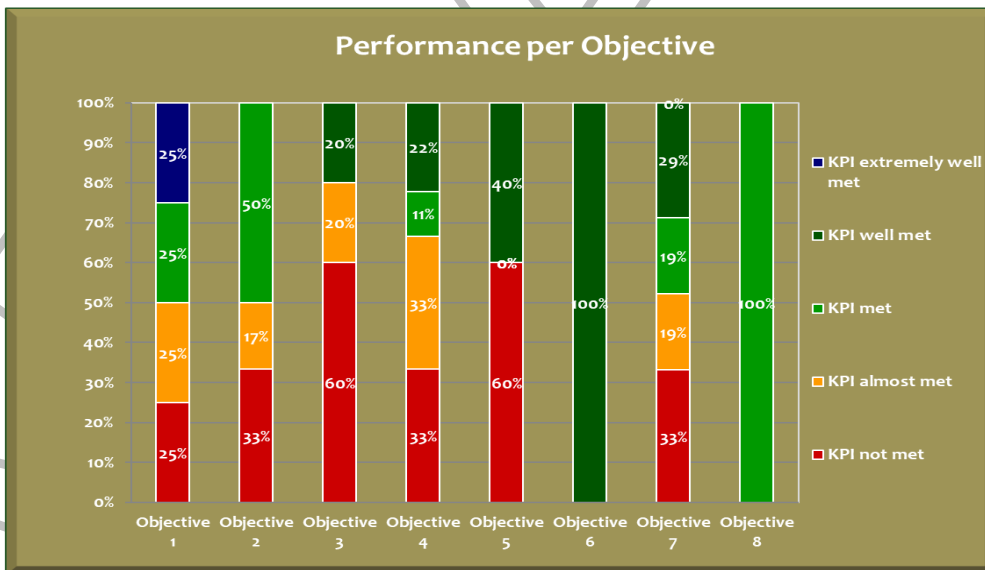
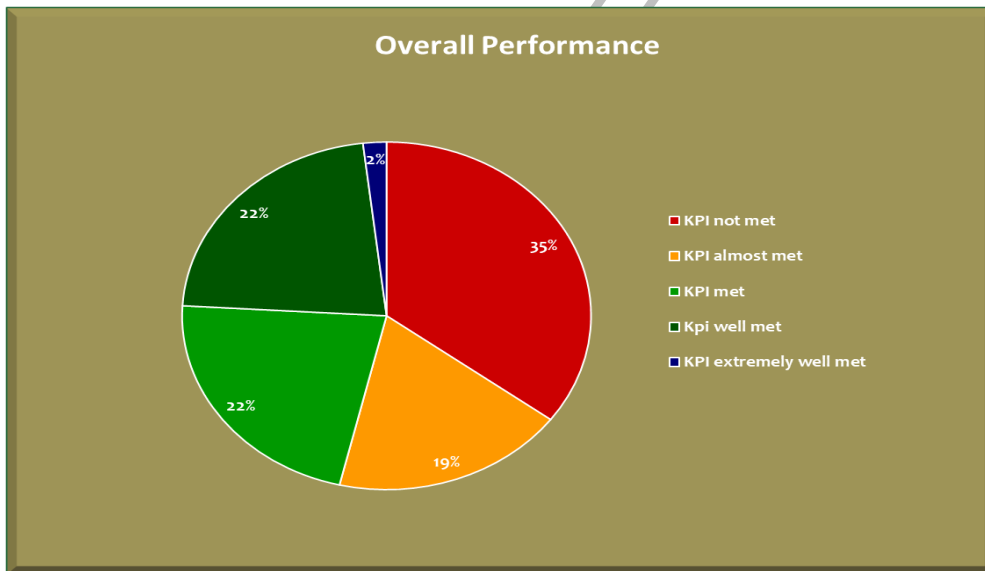
Category	Rating	Explanation
KPI Not Yet Measured	Not yet measured	KPI's with no targets or actuals in the selected period
KPI Not Met	KPI Not Met	0% > = Actual/Target < 75%
KPI Almost Met	KPI Almost Met	75% > = Actual/Target < 100%
KPI Met	KPI Met	Actual/Target = 100%

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Category	Rating	Explanation
KPI Well Met	KPI Well Met	100% > Actual/Target < 150%
KPI Extremely Well Met	KPI Extremely Well Met	Actual/Target > = 150%

Figure 2.:SDBIP measurement categories

The graph below displays the overall performance in terms of the Top Layer SDBIP per strategic objectives for 2017/18:



CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8
	Ensure liquidity of the administration	Establishment of a well governed and accountable administration	Provide for the needs of indigent households through improved services	Provision of basic services to all the people in the municipal area	Sustainability of the environment	To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development	To improve and maintain current basic service delivery through specific infrastructural development projects	Transparency and participation
KPI Not Met	1	2	3	3	3	0	7	0
KPI Almost Met	1	1	1	3	0	0	4	0
KPI Met	1	3	0	1	0	0	4	3
KPI Well Met	0	0	1	2	2	1	6	0
KPI Extremely Well Met	1	0	0	0	0	0	1	0
Total	4	6	5	9	5	1	21	3

Graph 1.: Overall performance per strategic objective

3.2.2 Detailed actual performance for 2017/18 KPI's per strategic objectives

a) Ensure liquidity of the administration

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2018 [(Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)x 100]	Debt to Revenue as at 30 June 2018	All	6.90%	%	0%	0%	45%	45%	10.12%	B
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 [(Total outstanding service debtors/ revenue received for services)x 100]	Service debtors to revenue as at 30 June 2018	All	37.88%	0%	0%	0%	35%	35%	92.71%	R
Corrective measures		Strict credit control must be implemented									

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Cost coverage as at 30 June 2018	All	0	0	0	0	1	1	1	G
TL16	Achieve an payment percentage of at least 88% by 30 June 2018 [(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue x 100]	Payment % achieved by 30 June 2018	All	89%	75%	80%	85%	88%	88%	86.99%	O
Corrective measures		Credit control policy must be enforced									

Table 57: Ensure liquidity of the administration

b) Establishment of a well governed and accountable administration

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL11	Appoint people from the employment equity target groups 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	All	0	0	0	0	1	1	1	G
TL12	0.10% of the municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2018 ((Actual amount spent on training/total personnel budget)x100)	% of the municipality's personnel budget spent on implementing its workplace skills plan	All	0%	0%	0%	0%	0.10%	0.10%	0.07%	R

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
Corrective measures		The training budget could not be fully spend due to cash flow problems experienced by the Municipality and the department were requested to cut on spending even if the items had been budgeted for									
TL28	Limit vacancy rate quarterly to 35% of budgeted posts (Number of funded posts vacant divided by number of budgeted funded posts)	% vacancy rate	All	6.90%	35%	35%	35%	35%	35%	35%	G
TL35	Compile the Risk based audit plan for 2018/19 and submit to Audit committee for consideration by 30 June 2018	Risk based audit plan submitted to Audit committee by 30 June 2018	All	0	0	0	0	1	1	1	G
TL36	70% of the Risk based audit plan for 2017/18 implemented by 30 June 2018 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP)x100]	% of the Risk Based Audit Plan implemented by 30 June 2018	All	65.56%	0%	20%	0%	70%	70%	57%	O
Corrective measures		5 Audits still in progress									
TL40	Spent 80% on the approved amount budgeted for the implementation of the Workplace Skills Plan (WSP) by 30 June 2018 [(Actual expenditure divided / the approved total budget amount for WSP)x100]	% budget spent on implementation of Workplace Skills Plan	All	New key performance indicator for 2017/18. No audited comparative available	10%	30%	50%	80%	80%	50%	R
Corrective measures		As soon as the funding agreements are provided by the LGSETA and funds released the programmes will be implemented as per the WSP									

Table 58: Establishment of a well governed and accountable administration

c) Provide for the needs of indigent households through improved services

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL5	Provide free basic water to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	Number of indigent households receiving free basic water as at 30 June 2018	All	7 311	0	6 153	0	6 153	6 153	5 477	O
Corrective measures		New report must be developed									

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						Actual	
					Target					Annual		
					Q1	Q2	Q3	Q4				
TL6	Provide free basic electricity to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	Number of indigent households receiving free basic electricity as at 30 June 2018	All	7 311	0	5 094	0	5 094	5 094	5 987	G2	
TL7	Provide free basic sanitation to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	Number of indigent households receiving free basic sanitation as at 30 June 2018	All	5 692	0	5 953	0	5 953	5 953	4 120	R	
Corrective measures		New report must be developed										
TL8	Provide free basic refuse removal to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	Number of indigent households receiving free basic refuse removal as at 30 June 2018	All	2 971	0	2 480	0	2 480	2 480	1 631	R	
Corrective measures		New report must be developed										
TL41	Submit housing proposals for Murraysburg, Merweville and Nelspoort to the Department of Human Settlements by 31 December 2017	Number of housing proposals submitted	All	New key performance indicator for 2017/18. No audited comparative available	0	3	0	0	3	1	R	
Corrective measures		Proposals will be tabled at the next Council meeting										

Table 59: Provide for the needs of indigent households through improved services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

d) Provision of basic services to all the people in the municipal area

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL1	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and which are billed for water or have pre paid meters as at 30 June 2018	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2018	All	11 337	0	13 500	0	13 500	13 500	10 216	O
Corrective measures		New residential properties are aimed to be build to meet the target in the future									
TL2	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2018	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2018	All	12 381	0	12 462	0	12 462	12 462	12 448	O
Corrective measures		New report must be developed									
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) which are billed for sewerage as at 30 June 2018	Number of residential properties which are billed for sewerage as at 30 June 2018	All	11 877	0	11 870	0	11 870	11 870	12 067	G2
TL4	Number of formal residential properties for which refuse is removed once per week and which are billed for refuse removal as at 30 June 2018	Number of residential properties which are billed for refuse removal as at 30 June 2018	All	11 636	0	11 346	0	11 346	11 346	11 799	G2
TL32	Spend 100% of the library grant by 30 June 2018 (Actual expenditure divided by the total grant received)	% of grant spent by 30 June 2018	All	100%	0%	40%	75%	100%	100%	98%	O
Corrective measures		R200 000 not spent as a result of budgeted vacancy at Murraysburg Library that has not been filled. The position has been advertised and will be filled as soon as possible									

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL42	Compile an "Impounding of animals" by-law and submit draft to Council by 31 March 2018	Draft By-law submitted to Council by 31 March 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	1	0	1	1	G
TL45	Compile a Traffic Services Strategy and submit draft to Council by 31 March 2018	Draft Strategy submitted to Council by 31 March 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	1	0	1	0	R
Corrective measures		Will be submitted to Council by September 2018									
TL46	Compile a Fire Services Strategy and submit draft to Council by 31 March 2018	Draft Strategy submitted to Council by 31 March 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	1	0	1	0	R
Corrective measures		No strategy has been submitted, only on the 30 November 2018									
TL47	Review the Integrated Waste Management Plan and submit to Council by 31 March 2018	Plan reviewed and submitted to Council by 31 March 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	1	0	1	0	R
Corrective measures		Will be submitted to Council by September 2018									

Table 60: Provision of basic services to all the people in the municipal area

e) Sustainability of the environment

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL17	Limit unaccounted for water quarterly to less than 38% during 2017/18 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold (incl free basic water) / Number of Kilolitres Water Purchased or Purified × 100]	% unaccounted water	All	44%	38%	38%	38%	38%	38%	50%	R
Corrective measures		Implement a new water management system									
TL18	95% of water samples in the Beaufort West jurisdiction area comply with SANS241	% of water samples	All	100%	95%	95%	95%	95%	95%	99%	G2

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						Actual	
					Target					Annual		
					Q1	Q2	Q3	Q4				
	micro biological indicators	compliant to SANS 241										
TL19	90% of waste water samples in the Beaufort West jurisdiction area comply with outflow water permit values	% of test results within permit values	All	86.50%	90%	90%	90%	90%	90%	92%		G2
TL33	Limit unaccounted for electricity to less than 12% quarterly {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold (incl Free basic electricity)) / Number of Electricity Units Purchased and/or Generated} × 100}	% unaccounted electricity	All	9.02%	12%	12%	12%	12%	12%	13.49%		R
The financial figures will be revisited												
TL43	Submit a proposal to the Department of Environmental Affairs and Development Planning (DEADP) by 31 December 2017 to obtain funding for the compilation of an Air Quality Management Plan	Proposal submitted to DEADP by 31 December 2017	All	New key performance indicator for 2017/18. No audited comparative available	0	1	0	0	1	0		R
Corrective measures		Application will be submitted in due course										

Table 61: Sustainability of the environment

f) **To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development**

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18					Actual		
					Target				Annual			
					Q1	Q2	Q3	Q4				
TL10	Create temporary job opportunities in terms of the Extended Public Works Programme (EPWP) projects by 30 June 2018	Number of temporary jobs opportunities created by 30 June 2018	All	0	0	0	0	40	40	45		G2

Table 62: To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

g) To improve and maintain current basic service delivery through specific infrastructural development projects

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						Actual	
					Target					Annual		
					Q1	Q2	Q3	Q4				
TL9	The percentage of the municipal capital budget spent by 30 June 2018 ((Actual amount spent /Total amount budgeted for capital projects)x100)	% of capital budget spent by 30 June 2018	All	30.71%	0%	15%	50%	85%	85%	81.76%	O	
Corrective measures		Projects will be started earlier in the financial year										
TL20	85% of the roads and stormwater assets maintenance budget spent by 30 June 2018 [(Actual expenditure on maintenance divided by the total approved budget for maintenance)x100]	% of budget spent by 30 June 2018	All	78.54%	15%	40%	60%	85%	85%	101.17%	G2	
TL21	85% of the sanitation assets maintenance budget spent by 30 June 2018 [(Actual expenditure on maintenance divided by the total approved budget for maintenance)x100]	% of budget spent by 30 June 2018	All	62.30%	15%	40%	60%	85%	85%	70.08%	O	
Corrective measures		Savings incurred										
TL22	85% of the parks and recreation maintenance budget spent by 30 June 2018 [(Actual expenditure on maintenance divided by the total approved budget for maintenance)x100]	% of budget spent by 30 June 2018	All	84.97%	15%	40%	60%	85%	85%	92.45%	G2	
TL23	85% of the water assets maintenance budget spent by 30 June 2018 [(Actual expenditure on maintenance divided by the total approved budget for maintenance)x100]	% of budget spent by 30 June 2018	All	131.58%	15%	40%	60%	85%	85%	112%	G2	
TL24	Upgrade the Beaufort West Rugby Field by 30 June 2018	Upgrade completed by 30 June 2018	3; 4; 5; 6; 7	New key performance indicator for 2017/18. No audited comparative available	0	0	0	1	1	1	G	
TL25	Upgrade the Kwa-Mandlenkosi sport field by 30 June 2018	Upgrade completed by 30 June 2018	4	New key performance indicator for 2017/18. No	0	0	0	1	1	1	G	

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18							
					Target					Actual		
					Q1	Q2	Q3	Q4	Annual			
				audited comparative available								
TL26	85% of the approved project budget spent by 30 June 2018 to upgrade Protea Street and Oak Street from gravel to paved in Beaufort West [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2018	5	New key performance indicator for 2017/18. No audited comparative available	0%	10%	50%	85%	85%	88%	G2	
TL27	85% of the approved project budget spent by 30 June 2018 to upgrade Michael de Villiers/ James Smith Street from gravel to paved [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2018	6	New key performance indicator for 2017/18. No audited comparative available	0%	10%	50%	85%	85%	1%	R	
Corrective measures		Funds moved to 2018/19 financial year										
TL34	85% of the electricity maintenance budget spent by 30 June 2018 ((Actual expenditure on maintenance divided by the total approved budget for maintenance)x100)	% of the electricity maintenance budget spent by 30 June 2018	All	49.57%	10%	20%	50%	85%	85%	77.58%	O	
Corrective measures		Due to financial constraints, the target could not be met										
TL37	Upgrade 2000 meters identified gravel roads to paved/tar roads in the municipal area by 30 June 2018	Metres of gravel road converted to paved/tar road by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	0	2 000	2 000	0	R	
Corrective measures		Funds moved to 2018/19										
TL38	Install 3 high mast lights in Murraysburg by 30 June 2018	Number of high mast lights installed	1	New key performance indicator for 2017/18. No audited comparative available	0	0	0	3	3	0	R	
Corrective measures		MIG funds reallocated because of the drought. MIG will provide funding in 2018/19 financial year										
TL39	Install 8 high mast lights in Beaufort West by 30 June 2018	Number of high mast lights installed	All	New key performance indicator for 2017/18. No audited comparative available	0	0	0	8	8	0	R	

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
Corrective measures		MIG funds reallocated because of the drought. MIG will provide funding in 2018/19 financial year									
TL44	Spend 85% of the refuse removal maintenance budget by 30 June 2018 [(Actual expenditure on maintenance budget divided by the total approved maintenance budget)x100]	% of budget spent by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparative available	10%	20%	50%	85%	85%	85%	G
TL48	85% of the approved project budget spent by 30 June 2018 to upgrade the Murraysburg sewerage oxidation ponds [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2018	1	New key performance indicator for 2017/18. No audited comparative available	10%	20%	50%	85%	85%	87.73%	G2
TL49	85% of the approved project budget spent by 30 June 2018 to rehabilitate roads & stormwater in Murraysburg [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2018	1	New key performance indicator for 2017/18. No audited comparative available	10%	20%	50%	85%	85%	3.99%	R
Corrective measures		Project budgeted for in 2018/19 financial year									
TL50	85% of the approved project budget spent by 30 June 2018 to upgrade Freddie Max Crescent in Nelspoort from a gravel road to a paved road [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2018	2	New key performance indicator for 2017/18. No audited comparative available	10%	20%	50%	85%	85%	87.72%	G2
TL51	Upgrade the tennis courts in Voortrekker street Beaufort by 30 June 2018	Upgrade completed by 30 June 2018	2	New key performance indicator for 2017/18. No audited comparative available	0	0	0	1	1	0	R
Corrective measures		Funds re-allocated to drought project. SDBIP will be adjusted in future if budget is adjusted									
TL52	Complete the parks in Merweville, Barakke & Makokoebuld by 30 June 2018	Number of parks completed	3; 7	New key performance indicator for 2017/18. No audited comparative available	0	0	0	3	3	0	R

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
Corrective measures		Parks not completed due to drought. As soon as the drought situation improves, the project will receive the necessary attention									
TL53	Complete the investigation for new aquifers for Beaufort West by 30 June 2018	Investigation completed by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparative available	0	0	0	1	1	1	G
TL54	85% of the approved project budget for 2017/18 spent by 30 June 2018 to rehabilitate the Bulk Water Scheme - Klein Hans Rivier	% of budget spent by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparative available	15%	40%	60%	85%	85%	73.85%	O
Corrective measures		Savings incurred on project. The adjustment will be done in future									

Table 63: To improve and maintain current basic service delivery through specific infrastructural development projects

h) Transparency and participation

Ref	KPI	Unit of measurement	Wards	Actual performance of 2016/17	Overall performance 2017/18						
					Target					Actual	
					Q1	Q2	Q3	Q4	Annual		
TL29	Compile and submit the final annual report and oversight report for 2016/17 to Council by 31 March 2018	Final annual report and oversight report for 2016/17 submitted to Council by 31 March 2018	All	1	0	0	2	0	2	2	G
TL30	Submit the Top layer SDBIP for the 2018/19 budget for approval by the Mayor within 14 days after the budget has been approved	Top Layer SDBIP for the 2018/19 budget submitted to the Mayor within 14 days after the budget has been approved	All	1	0	0	1	1	1	1	G
TL31	Draft the annual performance report for 2016/17 and submit to the Auditor General by 31 August 2017	Annual performance report for 2016/17 submitted to the Auditor General by 31 August 2017	All	1	1	0	0	0	1	1	G

Table 64: Transparency and participation

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.2.3 Municipal functions

The municipal functional areas are as indicated below:

Municipal function	Municipal function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Municipal function	Municipal function Yes / No
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 65: Municipal functions

3.3 Component A: Basic Services

3.3.1 Water Services

a) Introduction to Water Services

Beaufort West is dependent on three different water sources:

- Surface water (Gamka Dam, Springfontein Dam and Walker Dam)
- Boreholes (9 boreholes in 6 aquifers)
- Water reclamation plant (WRP)

The water sources mentioned above are used to adhere to the demand of the community. The demand is approximately 6.3 mega litres per day. This figure varies depending on the weather conditions. During summer the water consumption is much higher than during winter. The high summer consumption is balanced by abstracting water from the Gamka Dam, boreholes and water from the WRP. During winter, only boreholes and the WRP are used to adhere to the demand from the community. The water quality of Beaufort West, Nelspoort, Merweville and Murraysburg is of a good standard.

Water losses are reduced to the minimum from the source to sector meters. There is a loss of approximately 44% from sector meters to billing. A water meter audit was done and showed that the challenge faced is billing and not only water losses by leakages in the network.

b) Highlights: Water Services

The table below indicates the highlights and achievements during the financial year:

Highlight	Description
Steenrotsfontein aquifer	Development of 5 new boreholes and 1 pumpstation
Boreholes	Development of HR18, flagship and Brandwacht 11

Table 66: Water Services highlights

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Challenges: Water Services

The table below indicates the challenges faced during the financial year:

Description	Actions to address
2017/18 drought	Apply for funding

Table 67: Water Services challenges

d) Total use of water by sector

The table below indicates the total use of water per sector:

Total use of water by sector (cubic meters)				
Financial year	Agriculture	Forestry	Industrial	Domestic
2016/17	0	0	52 065	2 358 964
2017/18	0	0	51 305	2 052 175

Table 68: Total use of water by sector (cubic meters)

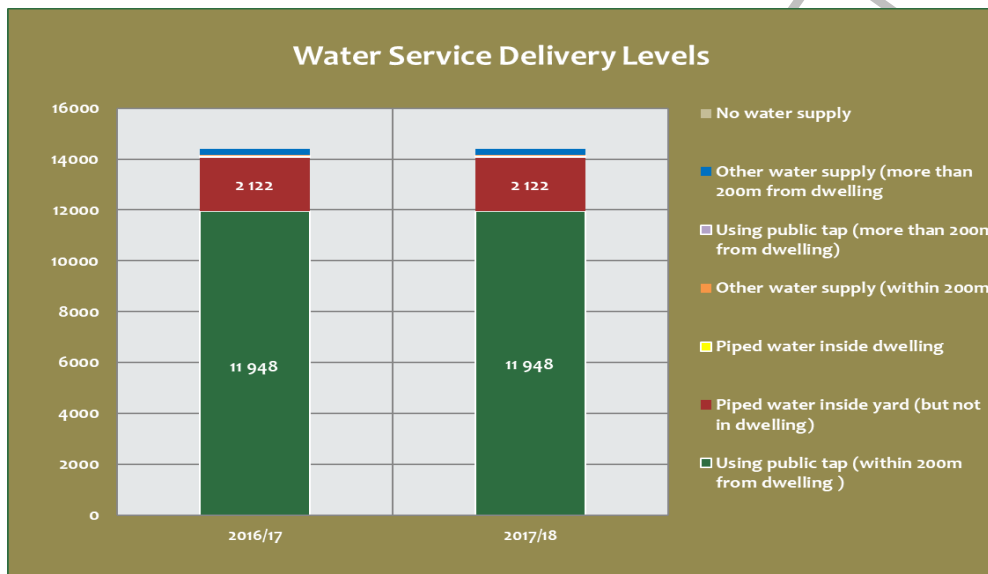
e) Water service delivery levels

The table below indicates the water service delivery levels:

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Water: (above min level)</i>		
Piped water inside dwelling	11 948	11 948
Piped water inside yard (but not in dwelling)	2 122	2 122
Using public tap (within 200m from dwelling)	49	49
Other water supply (within 200m)	31	31
Minimum service level and above sub-total	14 150	14 150
Minimum service level and above percentage	98	98
<i>Water: (below min level)</i>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	260	260
No water supply	0	0
Below minimum service level sub-total	260	260
Below minimum service level percentage	2	2
Total number of households	14 410	14 410
<i>Include informal settlements</i>		

Table 69: Water service delivery levels

CHAPTER 3: SERVICE DELIVERY PERFORMANCE



Graph 2: Water service delivery levels

f) Access to water

The table below indicates the number of households that has access to water:

Financial year	Number of households with access to water points*	Proportion of households with access to piped water	Number of households receiving 6 kl free#
2016/17	14 410	98%	DFD/ DGD
2017/18	14 410	98%	DFD

* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute
6 000 litres of potable water supplied per formal connection per month

Table 70: Access to water

g) Employees: Water Services

The table below indicates the number of staff employed within the Unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technical, superintendents, etc.	3	1	1	0	0
Semi-skilled	6	10	8	2	20
Unskilled	11	12	12	0	0
Total	21	23	21	2	8.69

Table 71: Employees: Water Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

h) Capital expenditure: Water Services

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
®				
Beaufort West : Investigation for New Aquifers	860 374	735 741	645 387	90 354
Drought Relief Project	0	2 895 000	2 892 174	2 826
5 boreholes and a 5 km pipeline to Reclamation Plant	0	22 996 034	20 149 973	2 846 061
Development of Boreholes - GeoScience	0	2 000 000	1 609 676	390 324
Water Supply Infrastructure : Distribution (S1 IRDP Project)	0	2 062 418	2 062 418	1
Upgrade of Existing Bulk Water Infrastructure	0	2 548 242	2 771 843	223 600
Beaufort West : Rehabilitate Bulk Water Scheme - Klein Hans Rivier	410 616	5 900 000	4 357 297	542 703
Total	1 270 990	39 137 435	34 488 767	4 648 669

Table 72: Capital expenditure: Water Services

3.3.2 Sanitation Services

a) Introduction to Sanitation Services

The Municipality has four Waste Water Treatment Works (WWTW) that are situated in Beaufort West, Nelspoort, Merweville and Murraysburg. The WWTW of Nelspoort, Murraysburg and Merweville has recently been upgraded and are operating within the design capacity and the final effluent is of good quality.

The WWTW of Nelspoort, Merweville and Murraysburg are evaporation ponds.

Studies are being done on the Beaufort West WWTW as the biological trickle filter system has been de-commissioned and this increases the load on the activated sludge process.

The final effluent of the Beaufort West WWTW is reclaimed by the reclamation plant and treated to drinking water standards. The remaining effluent is used to irrigate the sport grounds.

b) Highlights: Waste Water (Sanitation) Services

The following table indicate the highlight of the financial year:

Highlights	Description
Murraysburg WWTW	Upgrading the existing pond system including a new inlet works and irrigation system

Table 73: Sanitation Services highlight

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Challenges: Sanitation Services

The table below indicate the challenge faced during the financial year:

Description	Actions to address
Vandalism of pump station and manholes	Increase security measures

Table 74: Sanitation Services challenge

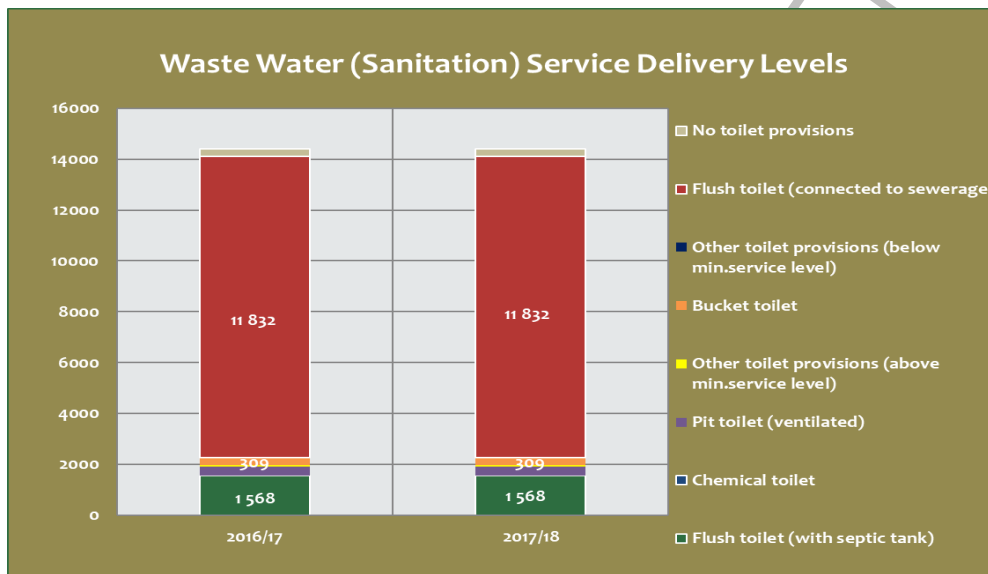
d) Sanitation service delivery levels

The table below indicates the service delivery levels for sanitation:

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	11 832	11 832
Flush toilet (with septic tank)	1 568	1 568
Chemical toilet	0	0
Pit toilet (ventilated)	355	355
Other toilet provisions (above min.service level)	31	31
Minimum service level and above sub-total	13 786	13 786
Minimum service level and above percentage	96	96
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	309	309
Other toilet provisions (below min.service level)	0	0
No toilet provisions	305	305
Below Minimum Service Level sub-total	614	614
Below Minimum Service Level Percentage	4	4
Total households	14 400	14 400
<i>Including informal settlements</i>		

Table 75: Sanitation service delivery levels

CHAPTER 3: SERVICE DELIVERY PERFORMANCE



Graph 3: Sanitation service delivery levels

e) Employees: Sanitation Services

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			Vacancies (as a % of total budgeted posts)
		Budgeted posts	Employees	Vacancies	
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	1	1	0	0
Skilled technical, superintendents, etc.	0	1	1	0	0
Semi-skilled	8	11	9	2	18.18
Unskilled	11	14	13	1	7.14
Total	19	27	24	3	11.11

Table 76: Employees: Sanitation Services

f) Capital expenditure: Sanitation Services

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
(R)				
Sanitation Infrastructure : Reticulation (S1 IRDP Project)	0	15 582 710	15 582 710	0
Bulk Sewerage Upgrade : S1	0	3 751 758	3 369 198	382 560
Murraysburg : Rehabilitate Sanitation : Oxidation Ponds	2 114 347	2 114 347	1 854 910	259 437

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
	(R)			
Total	2 114 347	21 448 815	20 806 817	641 997

Table 77: Capital expenditure: Sanitation Services

3.3.3 Electricity Services

a) Introduction to Electricity Services

Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support.

The distribution of electricity in Beaufort West started in 1919 when the railway supplied the Municipality with electricity. The cost was 4.5 pennies per unit. During 1924, the Municipality started building their own power station. On 1 November 1925 the power station was officially opened and ever since, electricity has grown to be a huge industry, supplying energy to businesses and the community. The department is licensed by the National Electricity Regulator (NER) to supply electricity within its approved area of supply. The department is responsible for the distribution and supply of electricity for Beaufort West, Nelspoort, Merweville and surrounding rural areas. Eskom is responsible for the distribution of electricity in Merweville and partially in Murraysburg.

The department takes supply from Eskom at 132 000 volt at Katjieskop substation and distribute 11 000 volt to the supply areas.

Electricity purchases for the 2017/18 financial year amounted to R53.458 million (Incl. VAT) for 57 649 425 kWh. The electricity is sold to industrial, commercial and domestic customers. Approximately 32.58% of the electricity is sold to industrial and commercial customers, 28.25% to domestic customers, 14.98% to indigents, 4.26% for street lighting and 0.76% for own use. Energy losses during the financial year amounted to 13.49%.

There are no backlogs in the provision of service connections. Applications for connections are processed as they are received and the necessary connection fees collected. All electricity customers receive a full service but are differentiated in terms of connection size in relation to connection fees paid.

i) Service backlogs

Due to the lack of financial resources over the past number of years, a backlog in repair and maintenance, as well as refurbishment and network expansion has increased. This backlog can only be addressed by sufficient capital investment into the electricity infrastructure.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

ii) Infrastructure

Although the Municipality has been able to assist all applicants by providing electricity, the low level of investment in the upgrade, refurbishment and expansion of the electricity infrastructure has led to a situation that new developments can no longer be accommodated without major capital investment. It is therefore absolutely essential that the Municipality direct more of the surplus generated by the sale of electricity to the capital requirements of the electrical department.

b) Highlights: Electricity Services

The table below indicates the highlights of the financial year:

Highlights	Description
Energy Efficiency Demand Side Management (EEDSM) project	Replacement of 1100 x 25 watt street lights with 40W LED; 900 in Beaufort West; 200 in Murraysburg. Replacement of 46 x 400 watt street lights and Donkin Street with 200 watt LEDs. Replacement of 305 x 400 watt high mast lights with 200 watt LEDs
New switching substation for s1 house development	Installation of 400 m 11KV cable with switch gear
High and low voltage overhead network: s1 housing development	Building of high and low voltage network for housing development, Phase 1 – 264 houses

Table 78: Electricity Services highlights

c) Challenges: Electricity Services

The table below indicates the challenges faced during the financial year:

Description	Actions to address
High cost of electricity	EEDSM - ongoing projects
Service delivery	Still a challenge with shortage of funding
Discipline	Still a problem

Table 79: Electricity Services challenges

d) Electricity service delivery levels

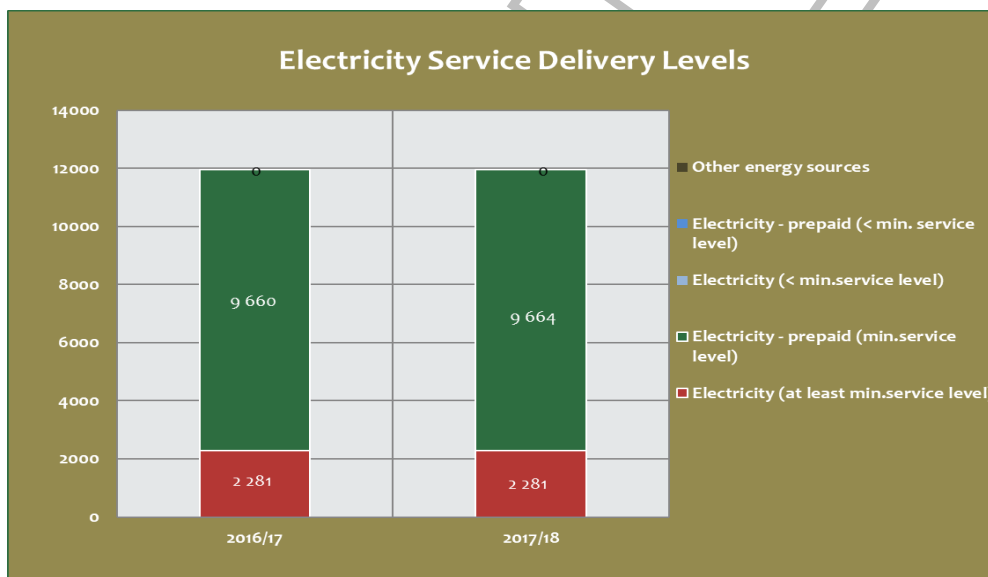
The table below indicates the service delivery levels for electricity:

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Energy: (above minimum level)</i>		
Electricity (at least min.service level)	2 281	2281
Electricity - prepaid (min.service level)	9 660	9664
Minimum service level and above sub-total	11 941	11945
Minimum service level and above percentage	100	100
<i>Energy: (below minimum level)</i>		
Electricity (<min.service level)	0	0
Electricity - prepaid (< min. service level)	0	0

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
Other energy sources	0	0
Below minimum service level sub-total	0	0
Below minimum service level percentage	0	0
Total number of households	11 941	11 945

Table 80: Electricity service delivery levels



Graph 4.: Electricity service delivery levels

e) Employees: Electricity Services

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	2	0	0	0	0
Skilled technical, superintendents, etc.	4	6	6	0	0
Semi-skilled	11	13	11	2	15.38
Unskilled	8	9	7	2	22.22
Total	25	28	24	4	14.29

Table 81: Employees: Electricity Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

f) Capital expenditure: Electricity Services

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
	(R)			
Machinery and Equipment	200 000	200 000	71 813	128 187
Housing Development S1 (264 Houses)	0	3 828 000	3 328 696	499 304
New 22 KV Substation S1	0	2 772 000	2 410 435	361 565
New High Mast Lighting: Greater Beaufort West Ph2	2 674 527	0	0	0
New High Mast Lighting: Murraysburg	1 155 648	0	0	0
Total	4 030 175	6 800 000	5 810 944	989 056

Table 82: Capital expenditure: Electricity Services

3.3.4 Waste management (refuse collections, waste disposal, street cleaning and recycling)

a) Introduction: Waste management

i) Service delivery

The Unit provides a weekly door-to-door waste removal service to households and bi-weekly to businesses. Domestic and garden waste is removed on daily basis and placed either in the 85 litre refuse bins or bags. Medical waste generated from hospitals, clinics and general practitioners are collected by a private company. The private company is responsible for spillage removal along the N1 national road transversing the Beaufort West area. Builders rubble is removed by the community with their own transport, and the Municipality removes when dumped illegally on open spaces on upon request from households at minimal costs.

Expanded Public Works Programme (EPWP) beneficiaries clean open spaces, litter picking and streets sweeping to other residential areas where there are no permanent staff allocated.

ii) Landfill site disposal sites

The four waste management facilities within the Beaufort West municipal area are situated in:

- Vaalkoppies
- Merweville
- Nelspoort
- Murraysburg

In addition, Beaufort West has a recycling facility which requires upgrades. All landfill sites are operational of which one has a permit.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

iii) Waste minimisation

The Municipality developed a Waste Minimisation Strategy in 2002 in partnership with Southern Cape Recycling which was made possible by contributions from the Department of Environmental Affairs. The initiative targeted the high income residential areas. Blue bags were supplied to all households to collect only cardboard boxes, cans, paper and newspapers. Recyclable waste is collected once a week and taken to the reclamation depot where it is sorted, baled and transported to Cape Town or Oudtshoorn.

iv) Waste awareness and education

Due to limited staff to conduct education and awareness to the community, waste awareness and education is done through the distribution of pamphlets on a quarterly basis. The target for these initiatives are schools, businesses and communities.

b) Highlights: Waste management

The following table indicates the highlights of the financial year:

Highlights	Description
EPWP	<p>±R 900 000 was received from the Department of Transport and Public Works for the following projects:</p> <ul style="list-style-type: none"> 🏠 Operation and maintenance of all waste disposal sites (WDS) within Beaufort West jurisdiction. 20 Beneficiaries employed on a fixed term contract 🏠 EPWP Administrator: 1 beneficiary employed on contract {responsible for admin of EPWP and reporting on the Integrated Pollutant and Waste Information System (IPWIS) of waste collected, disposed and recovered at WDS}
Learnership: Environmental Practise Level 1	Funded by the Department of Environmental Affairs and Development Planning's (DEADP) Environmental Protection and Infrastructure Programmes (EPIP). ±25 beneficiaries were recruited. The learnership consisted of 40% theory and 60% practical. Project started in March 2018 and will end in November 2019

Table 83: Waste management highlights

c) Challenges: Waste management

The table below indicates the challenges faced during the financial year:

Description	Actions to address
Non-compliance and unlicensed WDS	<p>Address mediation agreement between the Municipality and DEADP in 2015 (short term).</p> <p>An integrated plan between Beaufort West Municipality and Central Karoo District Municipality for a regional WDS and transfer stations (proposed long term plan). Murraysburg landfill sites project funds will be used and other additional funds for this plan</p>
Closure and rehabilitation of old abattoir WDS	Submit funding application to DEADP and Local Government: Municipal Support
Insufficient and ageing infrastructure	Sufficient budget and /or implementation of shared services
Illegal dumping on open spaces	Erection of illegal dumping sign boards. Education and awareness to community

Table 84: Waste management challenges

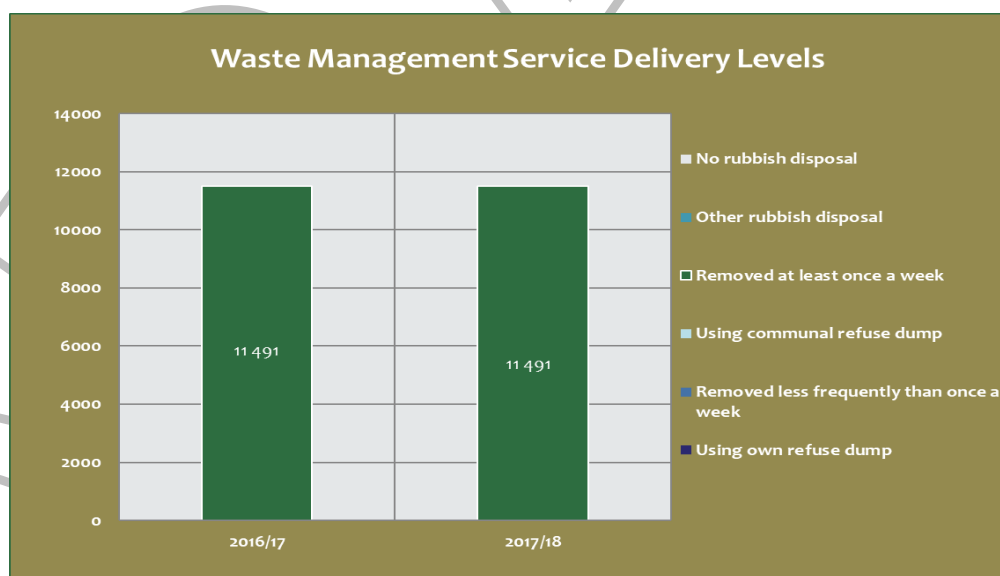
CHAPTER 3: SERVICE DELIVERY PERFORMANCE

d) Waste management service delivery levels

The table below indicates the service delivery levels for waste management:

Description	Households	
	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Solid waste removal: (minimum level)</i>		
Removed at least once a week	11 491	11 491
Minimum service level and above sub-total	11 491	11 491
Minimum service level and above percentage	100	100
<i>Solid waste removal: (below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
Below minimum service level sub-total	0	0
Below minimum service level percentage	0	0
Total number of households	11 491	11 491

Table 85: Waste management service delivery levels



Graph 5.: Waste management service delivery levels

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

e) Employees: Waste management

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	0	0	0	0
Skilled technical, superintendents, etc.	6	1	1	0	0
Semi-skilled	2	11	10	1	9.09
Unskilled	33	22	21	1	4.54
Total	42	34	32	2	5.88

Table 86: Employees: Waste management

3.3.5 Employees: Basic Services: Merweville, Murraysburg and Nelspoort

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total Budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technical, superintendents, etc.	5	3	3	0	0
Semi-skilled	7	13	10	3	23.08
Unskilled	22	22	22	0	0
Total	34	38	35	3	7.89

Table 87: Employees: Basic Services: Merweville, Murraysburg and Nelspoort

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.3.6 Housing

a) Introduction to housing

The Municipality wishes to stimulate LED through the identification of land that would meet the strengths and anticipated future demands of the economy. A strong and vibrant economy is necessary in leading towns such as Beaufort West and in pursuit of this objective, a holistic perspective of development is required.

Against the background of the holistic perspective of integrated residential development approach, it was decided to primarily place strategic focus on two components of the land use spectrum namely:

- 🏠 Finance Linked Individual Subsidy Program (FLISP), also known as Gap Subsidy Housing
- 🏠 Integrated Residential Development Program (IRDP) - Project Linked Subsidy Housing

i) Housing need

The need for an integrated residential development approach that addresses the whole spectrum of residential needs has been identified and the following main income categories have been considered:

- 🏠 IRDP Subsidy Housing - R3 500 per month.
- 🏠 Gap Subsidy Housing - R3 501 – R15 000 per month

Given the strategic decision to focus first on IRDP and GAP housing, these housing needs can be summarized as follows:

Subsidy	5 387 - units according to recent estimates of the housing demand data base (Includes towns Beaufort West, Murraysburg, Merweville and Nelspoort)
GAP	353- potential applicants have registered on our data system

Table 88: Housing needs

b) Prioritised IRDP housing sites

The prioritised IRDP housing site figures for the financial year is indicated in the table below:

Site	Units
Subsidy: Priority 1	
S1	619
Subsidy Priority 2	
S1	245

Table 89: Prioritised housing sites

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) GAP housing sites

The table below indicates the GAP housing sites of the municipality and the amount of units built:

Site	Units
GAP: Priority 1	
G2	67

Table 90: GAP housing sites

d) Highlights: Housing

The following table indicates the highlights of the financial year:

Highlights	Description
Housing beneficiary education	Housing consumer education for the S1 beneficiaries were well attended

Table 91: Housing: highlights

e) Challenges: Housing

The table below indicates the challenges faced during the financial year:

Description	Actions to address
Water and electricity	SCM together with Finance Engineers Electricity Sections need to champion the logistics way before time. E.g. Tenders for suppliers and funding. To avoid handing over new top structures that still do not have water and or electricity.
Sufficient staff	Management needs to fill positions not yet filled and avoid unfair labour practices in the section that may lead to reduced service delivery.

Table 92: Housing: challenges

f) Households with access to basic housing

The table below indicates the statistics of households with access to basic housing:

Number of households with access to basic housing			
Financial Year	Total households (including formal and informal settlements)	Households in formal settlements	Percentage of households in formal settlements
2016/17	12 195	12 173	83
2017/18	12 196	12 173	84

Table 93: Households with access to basic housing

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

g) Housing waiting list

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 5 354 housing units on the waiting list.

Financial Year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2016/17	5 354	5
2017/18	5 387	5

Table 94: Housing waiting list

h) Housing allocation

A total amount of R 22915 750 was allocated to build houses during the 2017/18 financial year. A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000			
2016/17	32 935	6 016	18.26	no houses built	833
2017/18	22 916	22 916	100	None	864

Table 95: Houses built in 2017/18

i) Employees: Housing

The table below indicates the number of staff employed within the Unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technical, superintendents, etc.	3	1	1	0	0
Semi-skilled	0	3	2	1	33.33
Unskilled	0	0	0	0	0
Total	3	4	3	1	25

Table 96: Employees: Housing

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.3.7 Free basic services and indigent support

a) Introduction

The free basic services were funded from the “equitable share” grant received from National Treasury plus an amount from the Municipality’s own income as budgeted for during the 2016/17 financial year.

The Municipality is one of the first municipalities in the country to implement free basic services to its indigent households. A debtor is considered indigent if the total monthly household income equals two times the amount of state funded social pensions or less (currently R3 380 per month). All indigent households receives 6kl water and 50kWh electricity free each month. Furthermore, an indigent debtor also receives a subsidy on refuse removal and sewerage, depending on the household income.

All indigents have to renew their applications annually in order to qualify for the benefits.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than R3 380 per month will receive the free basic services as prescribed by the national policy.

b) Households: Free basic services

The tables below indicate the number of households that received free basic services in the 2015/16 and 2016/17 financial years:

Financial Year	Number of households								
	Total no of HH	Free basic electricity		Free basic water		Free basic sanitation		Free basic refuse removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2016/17	14 168	5 815	41	7 932	56	4 321	30	1 630	12
2017/18	14 433	6 473	44	6 665	46	4 304	30	1 708	12

Table 97: Free basic services: Number of households

Financial Year	Electricity								
	Indigent households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'000			R'000			R'000
2016/17	5 453	50	4 042	310	50	712	52	50	48
2017/18	6 473	50	4 241	0	0	0	52	50	46

Table 98: Free basic services: Electricity

Financial Year	Water					
	Indigent Households			Non-indigent households		
	No. of HH	Unit per HH (kl)	Value	No. of HH	Unit per HH (kl)	Value
			R'000			R'000
2016/17	6 504	6	9 280	1 428	6	661
2017/18	6 665	6	11 059	0	0	0

Table 99: Free basic services: Water

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Sanitation						
Financial Year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2016/17	4 321	903	3 229	0	0	0
2017/18	4 304	975	3 483	0	0	0

Table 100: Free basic services: Sanitation

Refuse removal						
Financial Year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2016/17	1 630	1	986	0	0	0
2017/18	1 708	1	1 075	0	0	0

Table 101: Free basic services: Refuse removal

3.4 Component B: Road Transport

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

3.4.1 Roads

a) Introduction to Roads

The Municipality does pothole repairs, while contractors undertake the construction of new paved roads. These projects are done according to the EPWP standards to create job opportunities.

All road construction is done by a main contractor and a nominated sub-contractor who is responsible for the labour. The main contractor trains the sub-contractor in all aspects of safety and construction.

The following road sections were resurfaced which amounted to 2 175m²:

-  Danie Theron Street (From Donkin – Bird Street)
-  Church Street (From Donkin – Bird Street)

The general maintenance of tarred and gravel roads were delayed due to budget constraints and unreliable machinery.

b) Highlights: Roads

The following table indicate the highlight of the financial year:

Highlights	Description
Resurfacing of Voortrekker Street	Additional funds were received to complete the section from Bird Street to Jackson Street, resulting in a two year budget project. The section from Bird to De Villiers Street was done with the 2017/2018 budget and the section from De Villiers to Jackson Street will be funded by th 2018/2019 budget (Provincial Road)

Table 102: Roads highlight

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Challenges: Roads

The table below indicate the challenge faced during the financial year:

Description	Actions to address
Unreliable machinery	Purchase new grader
Roads deteriorating	Apply for funds to reseal roads
Vacant post	Fill post

Table 103: Roads challenge

d) Gravel roads infrastructure: Kilometers

The table below indicates the amount of gravel roads constructed, maintained and upgraded during the financial year:

Gravel roads infrastructure: Kilometres				
Financial year	Total km's gravel roads	New gravel roads constructed	Gravel roads upgraded to paved	Gravel roads graded/maintained (km)
2016/17	56.80	0	0.80	18.00
2017/18	56	0	0	24.00

Table 104: Gravel road infrastructure

e) Tarred road infrastructure: Kilometers

The table below indicates the number of tarred/paved roads constructed, maintained and upgraded during the financial year:

Tarred/paved road infrastructure: Kilometres					
Financial year	Total tarred/paved roads	New paved roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar/paved roads maintained
2016/17	106.71	1.20	0	0	14 608.70
2017/18	107.91	1.57	1.17	0	31 252

Table 105: Tarred road infrastructure

f) Cost of maintenance and construction of roads

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

Financial year	New and replacements	Resealed	Maintained
	R'000		
2016/17 (Main roads)	0	0	0
2016/17 (Other roads)	0	0	0
2017/18 (Main roads)	0	1 179	0
2017/18 (Other roads)	0	1 108	1 092

The cost for maintenance includes stormwater

Table 106: Cost of construction/maintenance of roads and stormwater

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

g) Employees: Roads and stormwater

The table below indicates the number of staff employed within the Unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	1	1	0	0
Skilled technical, Superintendents, etc.	8	1	1	0	0
Semi-skilled	7	17	14	3	17.65
Unskilled	23	29	28	1	3.45
Total	38	48	44	4	8.33

Table 107: Employees: Roads and stormwater

h) Capital expenditure: Roads and Stormwater

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
(R)				
Roads Infrastructure: Roads (S1 IRDPPProject)	0	5 270 622	5 270 623	(1)
Beaufort West: Upgrade Roads: Protea / Oak Street - Rustdene	205 816	205 816	181 280	24 536
Upgrade Streets: Prince Valley: (Ward 6) James Smith / Michael de Villiers Ave	1 413 612	72 326	63 444	8 882
Nelspoort: Upgrade Roads: Freddie Max Crescent	1 413 612	72 326	63 444	8 882
Rehabilitate Gravel Roads: Rustdene, Kwa-Mnadlenkosi & Hillside II	0	39 054	34 258	4 796
Machinery and Equipment	0	0	6 220	-6 220
Rehabilitate Roads and Storm Water: Murraysburg	1 591 448	0	0	0
Total	4 624 488	5 660 144	5 619 268	40 876



Table 108: Capital expenditure: Roads and stormwater

3.4.2 Waste water (stormwater drainage)

a) Introduction to Waste water (stormwater drainage)

Maintenance of the waste water/ stormwater drainage systems are done by a team employed under an EPWP project.

The project involves the following:

-  maintenance and cleaning of inlets, channels, culverts and earth drains
-  construction of minor stormwater systems/structures

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

a) Challenges: Waste water (stormwater drainage)

The tables below reflect the challenges experienced during the financial year:

Description	Actions to address
Insufficient personnel	Fill vacant post
No stormwater master plan	Update outdated plan
Existing stormwater system in Hillside I not sufficient	Replace or upgrade stormwater system

Table 109: Waste water (stormwater drainage) challenges

b) Stormwater infrastructure: Kilometers

The table below shows the total kilometers of stormwater infrastructure maintained, upgraded and the kilometers of new stormwater pipes installed:

Stormwater infrastructure: Kilometres				
Financial year	Total stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2016/17	Master Plan outdated	0	0	13.10
2017/18	Master Plan outdated	0	0	15.74

Table 110: Stormwater infrastructure

c) Cost of stormwater infrastructure

The table below indicates the amount of money spent on stormwater maintenance:

Financial year	Stormwater measures		
	New R'000	Upgraded R'000	Maintained R'000
2016/17	Part of new road construction and roads and stormwater maintenance budget	0	Part of Roads
2017/18	Part of new road construction and roads and stormwater maintenance budget	0	Part of Roads

Table 111: Cost of construction/maintenance of stormwater systems

3.4.3 Employees: Fleet management

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	0	0	0	0
Skilled technical, superintendents, etc.	1	3	2	1	33.33
Semi-skilled	6	4	4	0	0

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Unskilled	0	0	0	0	0
Total	8	7	6	1	14.29

Table 112: Employees: Fleet management

3.5 Component C: Planning and LED

3.5.1 Planning and building control

Due to the growing beneficiary list for subsidised housing, planning for residential areas to accommodate IRDP and GAP housing, was performed by a turnkey contractor. The aforementioned planning was done in conjunction with the officials of the Municipality.

a) Service statistics: Planning and building control

The table below indicates the performance statistics for planning and building control:

Type of service	2016/17	2017/18
Building plans application processed	123	112
Total surface (m ²)	9 866	7 074
Approximate value (Rand)	29 598 000	21 222 245
Residential extensions	112	103
Land use applications processed	2	7
Rural applications	0	0

Table 113: Service statistics: Planning and building control

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

b) Employees: Planning and building control

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
		Number			
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technical, superintendents, etc.	2	3	2	1	33.33
Semi-skilled	5	5	5	0	0
Unskilled	1	1	1	0	0
Total	8	9	8	1	11.11

Table 114: Employees: Planning and building control

3.5.2 LED (including tourism and market places)

The LED Strategy was reviewed during the 2009/10 financial year, but not approved. The LED forum has been established but is not functional.

The sectors that are contributing the most to Beaufort West's economy are transport and communication (25.3%), wholesale and retail trade (16.8%), general government services (14.4%), manufacturing (10.9%) and agriculture (7.7%). The ability of the local economy to create jobs is limited and is reflected in the current high unemployment figure of 35.5% in comparison to the provincial unemployment rate of 15.9%. This situation is aggravated by the inability of the current markets to pay wages to household with an income estimated between R850 and R1500 per month.

The high unemployment, coupled with the low skills level of the labour force, have been identified as of critical importance at the Regional Growth and Development Summit that was held for the District during March 2007. Local government has to play a role in the development of skills of the local labour force. The challenge for the Municipality is not only to grow the economy and tax base, but to develop skills so that jobs that are created through the growing economy can be taken up by the local unemployed residents.

The LED Strategy has not been reviewed in three years, making it difficult to measure progress in terms of economic development. The LED Unit is under staffed and this needs to be addressed as a matter of urgency.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.6 Component D: Community and Social Services

3.6.1 Libraries

a) Highlights: Libraries

The table below indicates the highlights of the financial year:

Highlights	Description
Service for the blind	Library for the Blind: Grahamstown conducted training for Church Street Library staff. The staff learned how to train the blind to use computers
Mzantsi Library Computer Project	Church Street Library was identified as one of the recipients of Mzantsi Computer Project which is sponsored by the Melinda and Bill Gates Foundation. Church Street Library received 10 computers, 1 lap top, 1 printer, computer furniture, 5 notebooks and installation of power plugs. Western Cape Library Services will program the computers in the next financial year
Accredited training for library staff	Library staff received training on marketing, project management, impact assessment and computer use
Information session: career exhibitions	Assistance to scholars in completing application forms of universities and colleges. Some of them received bursaries
Poetry event with local correctional services	A yearly programme which is held with patrons of Beaufort West Prison
Setting of perimeters on SITA Library Management System (SLIMS) for fines, grace for public holidays and when libraries are closed	Perimeters automatically generate set of fines, grace periods and amount of library material a user can borrow

Table 115: Libraries highlights

b) Challenges: Libraries

The table below indicates the challenges faced during the financial year:

Challenge	Description
Non return of library books	A strategy has been developed to find books and return it back to the libraries
IT challenges	Apply for funding for outdated computers
Limited access to the Internet	Provincial library services need to provide more internet stations for libraries

Table 116: Libraries challenges

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Service statistics for libraries

The table below indicates the service statistics for library services:

Type of service	2016/17	2017/18
Library members	16 357	325 120
Books circulated	161 785	252 620
Exhibitions held	144	160
Internet users	71 000	95 000
New library service points or wheelie wagons	0	0
Visits by school groups	84	92

Table 117: Service statistics for libraries

d) Employees: Libraries

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	1	1	0	0
Skilled technical, superintendents, etc.	3	3	2	1	33.33
Semi-skilled	18	18	18	0	0
Unskilled		0	0	0	0
Total	22	22	21	1	4.55

Table 118: Employees: Libraries

e) Capital expenditure: Libraries

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
(R)				
Furniture and Office Equipment	0	0	25 350	25 350
Total	0	0	25 350	25 350

Table 119: Capital expenditure: Libraries

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.6.2 Cemeteries

a) Introduction to Cemeteries

There are enough burial grounds in all the towns under the jurisdiction of Beaufort West, but new cemeteries will have to be developed in the 2018/19 financial year.

a) Challenges: Cemeteries

Vandalism of graves and tombstones is a big concern for the Municipality at the cemeteries and requires the security controls to be upgraded.

3.7 Component E: Security and safety

3.7.1 Traffic Services and Law Enforcement Services

a) Highlights: Traffic and Law Enforcement Services

The following table indicate the highlight of the financial year:

Highlights	Description
Success at roadblocks	Serving of personal summonses on road users

Table 120: Traffic services and law enforcement highlight

b) Challenges: Traffic Services and Law Enforcement

The table below indicates the challenges faced during the financial year:

Challenges	Actions to address
Discipline	Disciplinary process to be applied consistently and fair
Insufficient vehicles and two-way radios	Acquire additional vehicles and new two-way radios

Table 121: Traffic and Law Enforcement Services challenges

c) Service statistics for Traffic and Law Enforcement Services

The table below indicates performance statistics for Traffic and Law Enforcement Services:

Details	2016/17	2017/18
Motor vehicle licenses processed	12 016	12 074
Learner driver licenses processed	440	479
Driver licenses processed	592	550
Driver licenses issued	1 706	0
Fines issued for traffic offenses	140 036	1 735
R-value of fines collected	12 693 560	44 551
Roadblocks held	33	1 323 630
Complaints attended to by Traffic Officers	0	0
Awareness initiatives on public safety	0	0

Table 122: Service statistics for Traffic and Law Enforcement Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

d) Employees: Traffic Services and Law Enforcement

The table below indicates the number of staff employed within the unit:

Occupational Level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	1	1	0	0
Skilled technical, superintendents, etc.	1	11	10	1	9.09
Semi-skilled	19	10	9	1	10
Unskilled	2	2	2	0	0
Total	23	24	22	2	8.33

Table 123: Employees: Traffic and Law Enforcement Services

3.7.2 Fire and Disaster Management Services

a) Highlights: Fire and Disaster Management Services

The following table indicate the highlight of the financial year:

Highlights	Description
Station furniture and uniforms	The facility received a boardroom table with chairs and proper uniforms for the staff

Table 124: Fire and disaster management services highlight

b) Challenges: Fire and Disaster Management Services

The table below indicates the challenges faced during the financial year:

Challenges	Actions to address
The facility and property, plant and equipment does not comply with the Health regulations and the National Fire Protection Association (NFPA) Standards and Codes no. 1975	
Senior Fire Fighter needs office space	

Table 125: Fire and disaster management services challenges

c) Service statistics for Fire and Disaster Management Services

The table below indicates performance statistics of fire services and disaster management services:

Details	2016/17	2017/18
Operational call-outs	26	48
Reservists and volunteers trained	1	0
Awareness initiatives on fire safety	5	8

Table 126: Service statistics for Fire and Disaster Management Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

d) Employees: Fire and Disaster Management Services

The table below indicates the number of staff employed within the Unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technical, superintendents, etc.	5	5	5	0	0
Semi-skilled	9	9	9	0	0
Unskilled	0	0	0	0	0
Total	14	14	14	0	0

Table 127: Employees: Fire and Disaster Management Services

3.8 Component F: Sport and recreation

3.8.1 Sport and recreation

The community loves their sport, but the main challenge is to raise enough funds to develop different sport fields as only 15% of the MIG funds are available for the development of recreational and sport facilities.

All sport and recreation areas are mowed and irrigated on a regular basis. The Municipality is proud to say that it has upgraded the Merweville Sportgrounds in the 2017/2018 financial year.

a) Highlights: Sport and recreation

The following table indicate the highlight of the financial year:

Highlights	Description
Upgrading Merweville Sportgrounds	Upgrade of all sport facilities including a new multi-purpose hall

Table 128: Sport and recreation highlight

b) Challenges: Sport and recreation

Vandalism and theft is a big concern for the Municipality at the sport and recreation facilities. The Municipality will try to invest in upgrading security controls at each of these facilities.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Service statistics for sport and recreation

The table below indicates performance statistics of sport and recreation services:

Type of service	2016/17	2017/18
Community parks		
Number of parks with play park equipment	8	8
Number of wards with community parks	7	7
Swimming pools		
Number of visitors per annum	0	0
R-value collected from entrance fees	0	0
Sport fields		
Number of wards with sport fields	7	7
R-value collected from utilization of sport fields	DFD	DFD
Sport halls		
Number of wards with sport halls	7	7
Number of sport associations utilizing sport halls	5	5
R-value collected from rental of sport halls	DFD	DFD

Table 129: Service statistics for sport and recreation

d) Employees: Sport and recreation

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	1	1	0	0
Skilled technically, superintendents, etc.	7	1	1	0	0
Semi-skilled	10	18	18	0	0
Unskilled	18	20	19	1	5
Total	36	40	39	1	2.5

Table 130: Employees: Sport and recreation

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

e) Capital expenditure: Sport and recreation

The table below indicates the capital expenditure incurred:

Capital projects	2017/18			
	Budget	Adjustment budget	Actual expenditure	Variance from adjustment budget
(R)				
Sport and Recreation Facilities: Play Parks (Merveville; Barakke & Makoekoebult)	150 000	150 000	0	150 000
Sport and Recreation Facilities: Upgrade Merweville Sports Field - MIG	0	4 532 044	4 758 086	-226 042
Sport and Recreation Facilities: Upgrade Merweville Sports Field - MIG-Rollover	0	6 800 000	0	6 800 000
Sport and Recreation Facilities: Beaufort West Sports Stadium	1 000 000	168 346	149 244	19 102
Sport and Recreation Facilities: Upgrade Tennis Courts - Voortrekker Street - Beaufort West	635 543	0	0	0
Sport and Recreation Facilities: Upgrade Kwa-Mandlenkosi Sports Stadium Beaufort West	364 457	0	0	0
Development of Sport and Recreation Facilities	0	522 254	0	522 254
Machinery and Equipment	0	0	4 647	-4 647
Sport and Recreation Facilities: Upgrade Merweville Sports Field - CRR	0	503 111	5 597 849	-5 094 738
Total	2 150 000	12 675 755	10 509 826	2 165 929







Table 131: Capital expenditure: Sport and recreation

3.9 Component G: Corporate Policy Offices and Other Services

3.9.1 Corporate Services

a) Introduction to Corporate Services

The purpose of the Corporate Service Department is to provide corporate support to the institution. Corporate Services support the efficient organizational and administrative processes of the Municipality and includes the following functions:

-  provide legal and administrative support
-  render HR management and support services to the Municipality that will sustain optimal utilization of municipal human capital
-  coordinate and provide functional and administrative support to the political office bearers
-  provide library information services to the community
-  coordinate administrative processes and activities pertaining to the Thusong Centres
-  provides ICT support to the Municipality

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

b) Challenges: Corporate Services

The table below indicates the challenges faced during the financial year:

Description	Actions to address
The number of Council and special Council meetings increased significantly	Council to maintain the schedule for meeting as adopted
Council chambers not suitable to host Council meetings	Alternative venue will be identified and funding made available
Tablets issued to Councillors not optimally utilised for agenda	Council to be strict on the maximum usage of tablets to avoid issuing of paper agendas

Table 132: Corporate Services challenges

c) Service statistics for Corporate Services

Type of service	2016/17	2017/18
Community parks		
Number of parks with play park equipment	8	8
Number of wards with community parks	7	7
Swimming pools		
Number of visitors per annum	0	ENG
R-value collected from entrance fees	0	DFD
Sport fields		
Number of wards with sport fields	7	7
R-value collected from utilization of sport fields	DFD	DFD
Sport halls		
Number of wards with sport halls		4
Number of sport associations utilizing sport halls	5	5
R-value collected from rental of sport halls	DFD	DFD

Table 133: Corporate Services statistics

d) Employees: Corporate Services

The following tables represents the number of employees in administration, Council support, Thusong Service Centre and Municipal Management Services:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	1	1	0	0
Skilled technically, superintendents etc	0	1	1	0	0
Semi-skilled	5	6	6	0	0

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
		Number			
Unskilled	2	1	1	0	0
Total	8	9	9	0	0

Table 134: Employees: Administration

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
		Number			
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	0	0	0	0	0
Skilled technically, superintendents etc	3	2	2	0	0
Semi-skilled	4	7	7	0	0
Unskilled	1	1	1	0	0
Total	8	10	10	0	0

Table 135: Employees: Councillor Support and Thusong Service Centres

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
		Number			
Top management	0	1	1	0	0
Senior management	3	5	3	2	40
Middle management and professionals	3	1	1	0	0
Skilled technically, superintendents etc	1	4	4	0	0
Semi-skilled	0	1	0	1	100
Unskilled	0	0	0	0	0
Total	7	12	9	3	25

Table 136: Employees: Municipal Management Services

3.9.2 Financial Services

a) Highlights: Financial Services

The following table indicates the highlights of the financial year:

Highlights	Description
In-house compilation of Budget and Annual Financial Statements (AFS)	Less dependency on consultants resulting in huge cost savings
Integrated Recovery Plan developed	Plan adopted by Council and Implementation Manager appointed

Table 137: Financial Services highlights

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

b) Challenges: Financial Services

The following table indicates the challenges faced during the financial year:

Description	Actions to address
Vacancies in critical positions not yet filled	Positions advertised, vacancies to be filled
Limited office space – Historic building	Redesign and upgrade of office facilities
Implementation of mSCOA, new financial system	Vendor on-site to assist, staff received training, monthly Steering Committee meetings held
Lack of resources (funds, human capital)	Apply for all available funding, organisational structure reviewed

Table 138: Financial Services challenges

c) Debt recovery statistics

The table below indicates the debt recovery statistics for the financial year:

Details of the types of account raised and recovered	2016/17			2017/18			2018/19		
	Billed In Year	Actual for accounts billed in year	Pro-portion of accounts value billed that were collected in the year	Billed in Year	Actual for accounts billed in year	Pro-portion of accounts value billed that were collected	To be billed in Year	Estimated turnout for accounts to be billed in year	Estimated Proportion of accounts to be billed that will be collected
	R'000	%		R'000	%		R'000	%	
Property Rates	23 386	20 941	89	32 892	26 323	80	37 156	32 629	88
Electricity	44 426	44 828	101	42 908	42 602	99	78 474	75 335	96
Water	13 446	11 992	89	24 656	13 039	53	20 008	17 607	88
Sanitation	12 449	8 845	71	14 756	11 088	75	15 517	13 655	88
Refuse	5 362	3 180	59	7 535	4 911	65	8 166	7 186	88

Table 139: Debt recovery

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

d) Employees: Financial Services

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
Number					
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	3	1	0	1	100
Skilled technically, superintendents etc	3	8	7	1	12.5
Semi-skilled	32	34	27	7	20.59
Unskilled	2	2	2	0	0
Total	40	45	36	9	20

Table 140: Employees: Financial Services

3.9.3 HR

a) Highlights: HR

The following table indicates the highlights of the financial year:

Highlights	Description
Filling of vacancies	At least 27 vacancies were filled including the Municipal Manager and Director: Financial Services

Table 141: HR highlights

b) Challenges: HR

The table below indicates the challenges faced during the financial year:

Description	Actions to address
Employment Equity (EE) Committee	Committee to be re-established and the next 3 to 5 year plan to be approved
Occupational Health & Safety (OHS)	Committee to be revived and dedicated OHS Officer be appointed
Approval of draft HR policies	Draft policies to be approved by Council and Local Labour Forum (LLF). The LLF recommend that workshops be arranged to provide inputs
Temporary appointments	No further temporary appointments, only if it is to complete a specific job. If so, appointment will be on a fixed term employment contract
Attending training/workshops/etc	Due to only two people currently employed in HR, it is problematic if both employees have to attend training/workshops at the same time

Table 142: HR challenges

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Employees: HR Services

The table below indicates the number of staff employed within the unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
		Number			
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	1	1	0	0
Skilled technically, superintendents etc	0	0	0	0	0
Semi-skilled	1	1	1	0	0
Unskilled	0	0	0	0	0
Total	2	2	2	0	0

Table 143: Employees: HR

3.9.4 Information and Communication Technology (ICT) Services

a) Introduction to ICT services

The ICT services of the Municipality is outsourced to an external service provider.

b) Highlights: ICT services

The following table indicates the highlights of the financial year:

Highlights	Description
Implementation of mSCOA related infrastructure	In order for the Municipality's ICT infrastructure to be mSCOA ready on 1 July 2017 servers and network connections needed to be upgraded within a limited budget and capacity. However the required upgrades were completed
Upgrading of wireless backbone	The Municipality successfully implemented VOIP which created a considerable cost saving for the municipality on its monthly Telkom bill
Network connectivity with Murraysburg Office	A sufficient internet link was established between the Beaufort West head office and the Murraysburg Office
Upgrade of internet bandwidth	Telkom being the main communications service provider in rural areas could only provide ADSL connectivity with a bandwidth of 4Mbps and a maximum upload speed of 512Kbps, which proved to be insufficient for mSCOA to function properly. The Municipality eventually succeeded to acquire the services of Vodacom being the only communications service provider to be able to provide a 20Mbps internet link

Table 144: ICT Services highlights

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

c) Challenges: ICT services

The table below indicates the challenges faced during the financial year:

Description	Description
ICT operation vs ICT governance	The Auditor-General places a high emphasis on ICT governance matters and requirements. With the limited resources and capacity available to the Municipality, an ongoing challenge exists to comply with the day to day operational requirements which is crucial for service delivery vs governance requirements that does not have a direct negative impact on day to day service delivery, resulting thereto that not all the governance requirements are met to the standard of the AG ultimately resulting in audit findings on governance issues, but overlooking the high standard maintained on operations in order to enable the Municipality to deliver basic services and so fulfilling its constitutional mandate
Limited funding	Limited funding allocated for capital expenditure remains a constant challenge and makes it almost impossible to replace aging hardware and to keep up with the ever-growing development of technology
Wireless free-range spectrum	The 5Ghz free range spectrum in Beaufort West, used by the Municipality is currently over utilized due to private wireless service providers using the same frequency range. The Municipality's wireless network is being used for communication in order to provide in basic service delivery and constant signal interference from private service providers are encountered. Due to the vast extent of the Municipality's wireless network and budget restraints the Municipality cannot afford the cost of licensed spectrum and the associated cost of upgrading the routers to communicate on a dedicated frequency. However, the Municipality are in the process of investigating more affordable alternatives

Table 145: ICT Services challenges

3.9.5 Procurement Services

a) Highlights: Procurement Services

The following table indicates the highlights of the financial year:

Highlights	Description
Assistance from Provincial Treasury	7 officials attended a 3 day training course in Contract Management provided by Provincial treasury. This training was valuable to the municipality for we do not have a dedicated official/ unit for Contract Management
mSCOA	The successful implementation of mSCOA will decrease the workload of the SCM unit as a whole and assist with the decentralisation of SCM

Table 146: Procurement Services highlights

b) Challenges: Procurement Services

The table below indicates the challenges faced during the financial year:

Description	Actions to address
Decentralised procurement system	The implementation of mSCOA will address this issue. We will improve on in-house procedures and develop standard operating procedures going forward
Shortage of capacity in the SCM Unit	Appoint suitably qualified individuals in the Unit to assist in the effective management of the procurement procedures
Contract management	Appoint personnel to develop the contract management unit and build process and procedures to assist with the effective implementation of SCM functions

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Description	Actions to address
Implementation of mSCOA	Due to the shortage of staff and the fact that we had to record all the information on both the old and the new system at the same time, it had a huge administrative

Table 147: Procurement Services challenges

c) Service statistics for Procurement Services

The following table indicates the performance statistics of Procurement Services:

Description	Total No.	Monthly average	Daily average
Requests processed	2 902	242	8
Orders processed	2 882	240	10
Requests cancelled or referred back	2	0	0
Extensions	4	0	0
Bids received (number of documents)	118	10	1
Bids awarded	20	2	1
Bids awarded below R200 000	7	1	0
Appeals registered	2	0	0
Successful appeals	0	0	0

Table 148: Service statistics for Procurement Services

d) Details of deviations for Procurement Services

The following table indicates the detail of deviations incurred during the financial year:

Type of deviation	Number of deviations	Percentage of total deviations number	Value of deviations R	Percentage of total deviations value
Emergency	5	2.89	398 444.70	12.72
Sole supplier	14	8.09	1 006 197.99	32.13
Acquisition of special works of art or historical objects where specifications are difficult to compile	0	0	0	0
Any other exceptional case where it is impossible or impractical to follow the official procurement process	45	26.01	467 120.12	14.92
Any contract with an organ of state, a local authority or a public utility corporation or company	8	4.46	77 420.00	2.47
Any contract relating to the publication of notice and advertisements by the municipality	17	9.83	211 892.44	6.77
The appointment of any person to provide professional advice or services is less than R200 000 or any greater amount	13	7.51	145 525.51	4.65
Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	71	41.04	825 237.47	26.35

Table 149: Statistics of deviations: Procurement Services

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.9.6 Municipal buildings

a) Introduction to municipal buildings

Maintenance on municipal buildings are done on an ad hoc basis due to financial constraints.

b) Challenges: Municipal buildings

The table below indicate the challenge faced during the financial year:

Description	Actions to address
Vandalism	Upgrade security measures
Shortage of staff	Appoint an indigent household complaints team
Funds	Budget allocation for the next financial year

Table 150: Municipal buildings challenge

d) Cost of maintenance of municipal buildings

The table below shows the costs involved for the maintenance of buildings within the municipal area:

Maintenance details	2016/17	2017/18
Municipal	R308 930	R496 130
Total	R308 930	R496 130

Table 151: Cost of maintenance of municipal buildings

e) Employees: Municipal buildings

The table below indicates the number of staff employed within the Unit:

Occupational level	2016/17	2017/18			
		Budgeted posts	Employees	Vacancies	Vacancies (as a % of total budgeted posts)
	Number				
Top management	0	0	0	0	0
Senior management	0	0	0	0	0
Middle management and professionals	1	0	0	0	0
Skilled technically, superintendents, etc.	1	1	1	0	0
Semi-skilled	5	7	5	2	28.57
Unskilled	8	8	8	0	0
Total	15	16	14	2	12.50

Table 152: Employees: Municipal building

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.9.7 Fleet Management Services

a) Introduction to Fleet Management Services

i) The goal:

Provide a safe, reliable and cost effective fleet to different departments in a manner that the service to the community can be delivered in a timely manner.

The fleet consist of 80 vehicles, including:

- 🚗 Motor vehicles;
- 🚗 Light duty vehicles;
- 🚗 Trucks and tractors;
- 🚗 Earth moving vehicle; and
- 🚗 Compressors and small plants

ii) Objective:

To achieve the aim of our Municipality's Fleet Management Plan, key objectives for fleet services have been set as follow:

- 🚗 Maintain fleet costs effectively and in a timely manner
- 🚗 Put internal control methods in place to prevent fraud and fruitless expenditures
- 🚗 Implementing policies formulated by Council to delivered a efficient service to the community
- 🚗 Share values, norms and expectations
- 🚗 Provide a safe and reliable fleet by keeping fleet in a roadworthy condition
- 🚗 Implementing replacement policies ensuring vehicles are always road and service ready
- 🚗 Building team support, trust, cooperation and evaluate performance of all employees
- 🚗 Keep a thorough record of statistics of vehicle history, logs, petrol usage, vehicles issued and availability
- 🚗 Set up reports that is transparent and accessible to responsible people

The functions of the Fleet Management Section are as follow:

- 🚗 Vehicle maintenance and repairs
- 🚗 Driver management
- 🚗 Vehicle financing
- 🚗 Fuel management
- 🚗 Monthly, quarterly and annually reports
- 🚗 Licensing and road worthiness of fleet vehicles

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

b) Highlights: Fleet Management Services

The following table indicates the highlights of the financial year:

Highlights	Description
Purchasing of fire truck LDV	Toyota Land Cruiser fitted with fire fighting equipment

Table 153: Fleet Management Services highlights

c) Challenges: Fleet Management Services

The table below indicates the challenges faced during the financial year:

Description	Actions to address
Delay in supply chain management (SCM) processes	Faster SCM process

Table 154: Fleet Management Services challenges

3.10 Component H: Service Delivery Priorities for 2018/19

The main development and service delivery priorities for 2018/19 forms part of the Municipality's Top Layer SDBIP for 2018/19 and are indicated in the tables below:

3.10.1 Ensure liquidity of the administration

Ref	KPI	Unit of measurement	Wards	Annual target
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2019 [(Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant] x 100]	Debt to Revenue as at 30 June 2019	All	45%
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2019 [(Total outstanding service debtors/ revenue received for services) x 100]	Service debtors to revenue as at 30 June 2019	All	35%
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2019 ((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))	Cost coverage as at 30 June 2019	All	1
TL16	Achieve an payment percentage of 90% by 30 June 2019 [(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100]	Payment % achieved by 30 June 2019	All	90%

Table 155: Service delivery priority for 2017/18: Ensure liquidity of the administration

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.10.2 Establishment of a well governed and accountable administration

Ref	KPI	Unit of measurement	Wards	Annual target
TL11	Appoint people from the employment equity target groups 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	All	1
TL12	0.10% of the municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2019 ((Actual amount spent on training/total personnel budget)x100)	% of the municipality's personnel budget spent on implementing its workplace skills plan	All	0.10%
TL20	Compile the Risk based audit plan for 2019/20 and submit to Audit committee for consideration by 30 June 2019	Risk based audit plan submitted to Audit committee by 30 June 2019	All	1
TL21	70% of the Risk based audit plan for 2018/19 implemented by 30 June 2019 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP)x100]	% of the Risk Based Audit Plan implemented by 30 June 2019	All	70%

Table 156: Service delivery priority for 2017/18: Establishment of a well governed and accountable administration

3.10.3 Provide for the needs of indigent households through improved services

Ref	KPI	Unit of measurement	Wards	Annual target
TL5	Provide free basic water to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2019	Number of indigent households receiving free basic water as at 30 June 2019	All	6,153
TL6	Provide free basic electricity to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2019	Number of indigent households receiving free basic electricity as at 30 June 2019	All	5,094
TL7	Provide free basic sanitation to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2019	Number of indigent households receiving free basic sanitation as at 30 June 2019	All	5,953
TL8	Provide free basic refuse removal to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2019	Number of indigent households receiving free basic refuse removal as at 30 June 2019	All	2,480

Table 157: Service delivery priority for 2017/18: Provide for the needs of indigent households through improved services

3.10.4 Provision of basic services to all the people in the municipal area

Ref	KPI	Unit of measurement	Wards	Annual target
TL1	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and which are billed for water or have pre paid meters as at 30 June 2019	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2019	All	13,500
TL2	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2019	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2019	All	12,462
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the	Number of residential properties which are billed for sewerage as at 30 June 2019	All	11,870

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Annual target
	number of water closets (toilets) which are billed for sewerage as at 30 June 2019			
TL4	Number of formal residential properties for which refuse is removed once per week and which are billed for refuse removal as at 30 June 2019	Number of residential properties which are billed for refuse removal as at 30 June 2019	All	11,346
TL32	Compile an "Impounding of animals" by-law and submit draft to Council by 30 June 2019	Draft By-law submitted to Council by 30 June 2019	All	1
TL34	Review the Integrated Waste Management Plan and submit to Council by 30 June 2019	Plan reviewed and submitted to Council by 30 June 2019	All	1

Table 158: Service delivery priority for 2017/18: Provision of basic services to all the people in the municipal area

3.10.5 Sustainability of the environment

Ref	KPI	Unit of measurement	Wards	Annual target
TL17	Limit unaccounted for water quarterly to less than 25% during 2018/19 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold (incl free basic water) / Number of Kilolitres Water Purchased or Purified × 100]	% unaccounted water	All	25%
TL18	95% of water samples in the Beaufort West jurisdiction area comply with SANS241 micro biological indicators	% of water samples compliant to SANS 241	All	95%
TL19	Limit unaccounted for electricity to less than 12% quarterly {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold (incl Free basic electricity)) / Number of Electricity Units Purchased and/or Generated} × 100}	% unaccounted electricity	All	12%
TL33	Submit a proposal to the Department of Environmental Affairs and Development Planning (DEADP) by 30 June 2019 to obtain funding for the compilation of an Air Quality Management Plan	Proposal submitted to DEADP by 30 June 2019	All	1

Table 159: Service delivery priority for 2017/18: Sustainability of the environment

3.10.6 To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development

Ref	KPI	Unit of measurement	Wards	Annual target
TL10	Create temporary job opportunities in terms of the Extended Public Works Programme (EPWP) projects by 30 June 2019	Number of temporary jobs opportunities created by 30 June 2019	All	40

Table 160: Service delivery priority for 2017/18: To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development

3.10.7 To improve and maintain current basic service delivery through specific infrastructural development projects

Ref	KPI	Unit of measurement	Wards	Annual target
TL9	The percentage of the municipal capital budget spent by 30 June 2019 ((Actual amount spent / Total amount budgeted for capital projects) × 100)	% of capital budget spent by 30 June 2019	All	85%
TL22	85% of the approved project budget spent on the upgrading of the Sport Stadium in Nelspoort by 30 June 2019 [(Actual expenditure divided by the total approved project budget) × 100]	% of budget spent by 30 June 2019	All	85%

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of measurement	Wards	Annual target
TL23	85% of the approved project budget spent on the upgrading of Freddy Max Crescent in Nelspoort by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL24	85% of the approved project budget spent on the upgrading of James Smith and Michael De Villers Avenues in Prince Valley by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL25	85% of the approved project budget spent on the rehabilitation of roads and stormwater in Murraysburg by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL26	85% of the approved project budget spent on the New Bulk Sewer Pump Station & Rising Main in Prince Valley by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL27	85% of the approved project budget spent on the upgrading of the Low Smith Substation (Phase 2) by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL28	85% of the approved project budget spent on the upgrading of the Beaufort West Substation - Katjieskop (Phase 3) by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL29	85% of the approved project budget spent on the new S1 Development Substation by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL30	85% of the approved project budget spent on New High Mast Lighting in the Greater Beaufort West Phase 2 by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%
TL31	85% of the approved project budget spent on New High Mast Lighting in Murraysburg by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of budget spent by 30 June 2019	All	85%

Table 161: Service delivery priority for 2018/19: To improve and maintain current basic service delivery through specific infrastructural development projects



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

CHAPTER 4

4.1 National KPI – Municipal transformation and organisational development

The following table indicates the Municipality’s performance in terms of the National KPI required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These KPI’s are linked to the National KPA – Municipal transformation and organisational development.

KPA and Indicators	Municipal achievement	Municipal achievement
	2016/17	2017/18
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan	2	1
0.10% of the municipality’s personnel budget spent on implementing its workplace skills plan by 30 June((Actual amount spent on training/total personnel budget)x100)	0%	0.07%

Table 162: National KPIs– Municipal transformation and organisational development

4.2 Introduction to the municipal workforce

The Municipality currently employs 386 (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of the Municipality’s objectives. The primary objective of HR management is to render an innovative service that addresses both skills development and an administrative function.

4.2.1 Employment equity

The Employment Equity Act (1998) Chapter 3, Section 15(1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The National KPA also refers to: “Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan”

a) Employment equity targets and actuals

African		Coloured		Indian		White	
Target	Actual	Target	Actual	Target	Actual	Target	Actual
139	101	188	267	2	0	57	18

Table 163: 2017/18 Employment equity targets and actuals by racial classification

Males (including disability)		Females (including disability)	
Target	Actual	Target	Actual
210	263	176	123

Table 164: 2017/18 Employment equity targets and actuals by gender classification



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

b) Specific occupational categories - Race

The table below indicates the number of employees(excluding vacancies) by race within the specific occupational categories:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management		1	0		0		0	0	1
Senior management	1		0	2	0		0	0	3
Professionally qualified and experienced specialists and mid- management	1	2	0	2	0	2	0	1	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	4	26	0	5	5	11	0	0	51
Semi-skilled and discretionary decision making	29	73	0	2	15	49	0	6	174
Unskilled and defined decision making	33	82	0		13	21	0		149
Total permanent	68	184	0	11	33	83	0	7	386
Non-permanent employees	22	62	0	0	4	44	0	1	133
Grand total	90	246	0	11	37	127	0	8	521

Table 165: Occupational categories

4.2.2 Vacancy rate

The approved organogram of the Municipality had 442 posts for the 2017/18 financial year. The actual positions filled are indicated in the tables below by post and by functional level. 56 posts were vacant at the end of 2017/18, of which 16 were not budgeted, resulting in a vacancy rate of 9.05%. The table below indicates a breakdown of vacancies within the Municipality:

Per post level		
Post level	Filled	Vacant
Municipal Manager and MSA Section 57 and 56 employees	4	2
Middle management (T14-T19)	9	1
Admin officers (T4-T13)	224	30
General workers (T3)	149	7
Total	386	40
Per functional level		
Functional area	Filled	Vacant
Municipal Manager	9	3
Corporate Services	39	1
Financial Services	36	9
Community Services	83	8
Engineering Services	171	24
Electro Technical Services	24	7
Murraysburg	24	4
Total	386	56

Table 166: Vacancy rate per post and functional level



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.2.3 Staff turnover rate

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional knowledge. The staff turnover rate shows a decrease from 7.73% in 2016/17 to 5.43% in 2017/18.

Below is a table that shows the staff turnover rate within the Municipality:

Financial year	Appointments at the end of each Financial Year	New appointments	Terminations during the year	Turn-over Rate
2016/17	375	56	29	7.73%
2017/18	386	28	24	5.43%

Table 167: Staff turnover rate

4.3 Managing the municipal workforce

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injuries will influence the loss of man hours and therefore financial and productivity performance. The number of injuries increased from 10 for 2016/17 to 38 for the 2017/18 financial year.

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

Directorates	2016/17	2017/18
Municipal Manager	0	1
Corporate Services	0	1
Financial Services	0	0
Community Services	12	9
Engineering Services	13	25
Electro Technical Services	2	2
Total	27	38

Table 168: Injuries



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.3.2 Sick leave

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

The total number of employees that have taken sick leave during the 2017/18 financial year shows an increase when compared with the 2016/17 financial year.

The table below indicates the total number of sick leave days taken within the different directorates:

Department	2016/17	2017/18
Municipal Manager	8	15
Corporate Services	499	403
Financial Services	462	554
Community Services	1 125	1 476
Engineering Services	1 795	1 768
Electro Technical Services	50	12
Total	3 939	4 228

Table 169: Sick Leave

4.3.3 HR Policies and Plans

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

The Human Resource Management Strategy & Plan was drafted 27 June 2017.

Below are draft policies for approval by Council and the Local Labour Forum:

HR policies categories supplied to Municipality		
Category	Policy	Date
Category A: Organisation management		
A1	Organisational Management Policy	26 June 2017
A2	Individual Performance Management Policy	26 June 2017
A3	Telecoms and Cellular Phone Allowances Policy	26 June 2017
A4	Fixed Transport Allowances Policy	26 June 2017
A5	Essential Transport Allowances Policy	26 June 2017
A6	Removal Expenses Policy	26 June 2017
Category B: HR provisioning and maintenance		
B1	Recruitment and Selection Policy	26 June 2017
B2	Internal and Functional Transfers Policy	26 June 2017
B3	Remuneration Policy	26 June 2017
B4	Non-Pensionable Accommodation Allowances Policy	26 June 2017
B5	Working Hours Policy	26 June 2017
B6	Termination of Services Policy	26 June 2017



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

HR policies categories supplied to Municipality		
Category	Policy	Date
B7	Leave of Absence Policy	26 June 2017
B8	HR Records Systems Policy	26 June 2017
B9	Official Vehicles and Fleet Management Policy	26 June 2017
B10	Gifts Policy	26 June 2017
B11	Office Ethics Policy	26 June 2017
B12	Acting Arrangements Policy	26 June 2017
B13	Private Work Policy	26 June 2017
B14	External Communication Policy	26 June 2017
B15	Confidentiality Policy	26 June 2017
B16	Legal Aid Policy	26 June 2017
Category C: Human Capital Development		
C1	Education, Training and Development Policy	26 June 2017
C2	Induction Policy	26 June 2017
C3	Mentoring and Coaching Policy	26 June 2017
C4	Employee Study Aid and Leave Policy	26 June 2017
C5	Succession Planning and Career Pathing Policy	26 June 2017
C6	MFMIP Internship Policy	26 June 2017
C7	Learnership Policy	26 June 2017
C8	Experiential Training Policy	26 June 2017
C9	Employee Driving Licence Assistance Policy	26 June 2017
C10	Fire and Rescue Training Academy Policy	26 June 2017
Category D: Employee Wellness		
D1	Employee Assistance Programme (EAP) Policy	26 June 2017
D2	Substance Abuse Policy	26 June 2017
D3	Incapacity Policy	26 June 2017
D4	Occupational Health and Safety (OHS) Policy	26 June 2017
D5	HIV / AIDS Policy	26 June 2017
D6	Smoking Policy	26 June 2017
D7	Bereavement Policy	26 June 2017
Category E: Employment Equity		
E1	Employment Equity Policy Framework	26 June 2017
E2	Gender Policy	26 June 2017
E3	Sexual Harassment Policy	26 June 2017
E4	Disability Policy	26 June 2017

Table 170: HR Policy list in categories



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.4 Capacitating the municipal workforce

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

4.4.1 Skills matrix

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

Management level	Gender	Number of employees identified for training at start of the year (2017/18)	Number of employees that received training (2017/18)
Municipal Manager and Section 57 employees	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Associate professionals and technicians	Female	0	0
	Male	0	0
Professionals	Female	0	0
	Male	0	0
Clerks	Female	0	0
	Male	0	0
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	2	2
Elementary occupations	Female	5	5
	Male	3	3
Sub-total	Female	5	5
	Male	5	5
Total		10	10

Table 171: Skills matrix



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.4.2 Skills development – Training provided

The SDA and the MSA requires employers to supply employees with the necessary training in order to develop its HR capacity. Section 55(1)(f) states that the Municipal Manager is responsible for the management, utilisation and training of staff.

The table below gives an indication of the training provided to employees for the financial year:

Occupational categories	Gender	Training provided within the reporting period (2017/18)	
		Learnerships	
		Target	Actual
Municipal Manager and Section 57 employees	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Professionals	Female	0	0
	Male	0	0
Technicians and associate professionals	Female	0	0
	Male	0	0
Clerks	Female	0	0
	Male	0	0
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	2	2
Elementary occupations	Female	5	5
	Male	3	3
Sub-total	Female	5	5
	Male	5	5
Total		10	10

Table 172: Skills development

4.4.3 Skills development - Budget allocation

The table below indicates the budget allocated towards the workplace skills plan:

Financial year	Total personnel budget	Total allocated	Total spent	% Spent
2016/17	86 951	380	205	53.95
2017/18	91 292	315	67	21.27

Table 173: Budget allocated and spent for skills development

4.4.4 MFMA competencies



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

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

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 in terms of Government Notice 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

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

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial officials				
Accounting Officer	1	1	1	1
Chief Financial Officer	1	1	1	0
Senior managers	12	12	2	12
Any other financial officials	7	6	N/A	6
SCM officials				
Heads of SCM Units	0	0	0	0
SCM senior managers	1	1	1	1
Total	22	21	5	20

Table 174: MFMA competencies

4.5 Managing the Municipal workforce expenditure

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



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.5.1 Personnel expenditure

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

Financial year	Total expenditure salary and allowances	Total operating expenditure	Percentage
	R'000		
2016/17	87 693	240 101	36.52
2017/18	94 429	312 823	30.19

Table 175: Personnel expenditure

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

Financial year	2016/17	2017/18		
	Actual	Original budget	Adjusted budget	Actual
Description	R'000			
Councillors (political office bearers plus other)				
Salary	3 514	4 632	4 365	5 014
Pension contributions	339	58	157	210
Medical-aid contributions	47	56	0	10
Motor vehicle allowance	830	276	411	563
Cell phone allowance	292	312	530	415
Housing allowance	0	0	0	0
Other benefits or allowances	0	51	47	23
In-kind benefits	0	0	0	0
Sub Total	5 021	5 835	5 510	6235
% increase/ (decrease)	N/A	7	2	13
Senior managers of the Municipality				
Pension contributions	5 064	4 496	4 496	4 471
Pension contributions	637	877	374	433
Medical-aid contributions	30	39	59	0
Motor vehicle allowance	540	456	370	370
Cell phone allowance	0	0	0	37
Housing allowance	0	0	0	0
Performance Bonus	661	670	545	17
Other benefits or allowances	0	467	0	0
In-kind benefits	0	0	0	0
Sub Total	6 931	7 005	5 844	5 328
% increase/ (decrease)	N/A	1	(17)	(9)
Other municipal staff				
Basic salaries and wages	58 671	66 600	65 497	70 142



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Financial year	2016/17	2017/18		
Description	Actual	Original budget	Adjusted budget	Actual
	R'000			
Pension contributions	9 226	11 090	10 033	9 094
Medical-aid contributions	1 415	1 507	1 509	1 544
Motor vehicle allowance	1 521	1 748	1 791	1 761
Cell phone allowance	0	0	0	0
Housing allowance	955	939	929	915
Overtime	2 716	2 098	2 384	3 283
Other benefits or allowances	3 123	2 528	3 306	2 362
Sub-total	77 627	86 510	85 449	89 101
% increase/ (decrease)	N/A	11	(1)	4
Total Municipality	89 579	98 900	96 803	100 664
% increase/ (decrease)	N/A	10	(2)	4

Table 176: Councillor and staff benefits

CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2017/18 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

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

5.1 Financial summary

The table below indicates the summary of the financial performance for the 2017/18 financial year:

Financial summary						
R'000						
Description	2016/17	2017/18		2017/18 % variance		
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjustments budget
Financial performance						
Property rates	28 322	35 417	34 747	33 876	(4.55)	(2.57)
Service charges	102 538	116 065	115 384	107 422	(8.05)	(7.41)
Investment revenue	1 339	1 260	1 260	761	(65.61)	(65.61)
Transfers recognised - operational	62 566	91 621	80 590	76 284	(20.11)	(5.65)
Other own revenue	76 339	51 366	33 456	54 569	5.87	38.69)
Total revenue (excluding capital transfers and contributions)	271 103	295 728	265 437	272 911	(8.36)	2.74
Employee costs	87 718	93 514	91 292	94 429	0.97	3.32
Remuneration of Councillors	4 951	5 385	5 510	6 068	11.26	9.20
Depreciation and asset impairment	16 031	16 935	17 465	24 463	30.77	28.61
Finance charges	6 590	1 713	3 245	6 266	72.66	48.22
Materials and bulk purchases	63 958	96 035	92 008	62 597	(53.42)	(46.99)
Transfers and grants	272	100	80	223	55.23	64.19
Other expenditure	110 152	90 121	79 934	101 152	10.91	20.98
Total expenditure	289 672	303 804	289 535	295 199	(2.92)	1.92
Surplus/(deficit)	(18 568)	(8 076)	(24 098)	(22 287)	63.77	(8.13)
Transfers recognised - capital	44 614	14 640	85 726	77 717	81.16	(10.30)
Contributions recognised - capital and contributed assets	1 400	0	0	155	100.00	100.00
Surplus/(deficit) after capital transfers and contributions	27 446	6 564	61 627	55 585	88.19	(10.87)
Capital expenditure and funds sources						
Capital expenditure						

CHAPTER 5: FINANCIAL PERFORMANCE

Financial summary						
R'000						
Description	2016/17	2017/18		2017/18 % variance		
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjustments budget
Transfers recognised - capital	42 381	14 640	85 726	72 067	79.69	(18.95)
Public contributions and donations	1 400	0	0	155	100.00	100.00
Borrowing	6 879	0	0	549	100.00	100.00
Internally generated funds	1 334	1 230	2 600	6 860	82.07	62.10
Total sources of capital funds	51 994	15 870	88 326	79 631	80.07	(10.92)
Financial position						
Total current assets	54 685	52 394	46 778	74 844	30.00	37.50
Total non-current assets	477 129	470 159	542 328	529 958	11.28	(2.33)
Total current liabilities	65 201	45 286	37 351	85 878	47.27	56.51
Total non-current liabilities	63 474	66 291	66 291	60 199	(10.12)	(10.12)
Community wealth/equity	403 140	410 977	485 464	458 725	10.41	(5.83)
Cash flows						
Net cash from (used) operating	39 841	23 692	89 923	81 481	70.92	(10.36)
Net cash from (used) investing	(52 290)	(15 980)	(88 436)	(79 303)	79.85	(11.52)
Net cash from (used) financing	2 518	(2 926)	(296)	(3 962)	26.15	92.54
Cash/cash equivalents at the year end	6 637	9 199	5 199	4 854	(89.50)	(7.10)
Cash backing/surplus reconciliation						
Cash and investments available	6 637	9 199	5 199	4 854	(89.50)	(7.10)
Application of cash and investments	(24 096)	(3 285)	3 561	(10 357)	68.28	134.39
Balance - surplus (shortfall)	(17 458)	5 914	8 760	(5 502)	207.47	259.20
Asset management						
Asset register summary (WDV)	474 811	468 421	540 590	527 263	11.16	(2.53)
Depreciation and asset impairment	15 809	16 935	17 465	24 463	30.77	28.61
Repairs and maintenance	14 327	27 950	24 728	24 150	(15.74)	(2.40)
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual</i>						

Table 177: Financial performance 2017/18

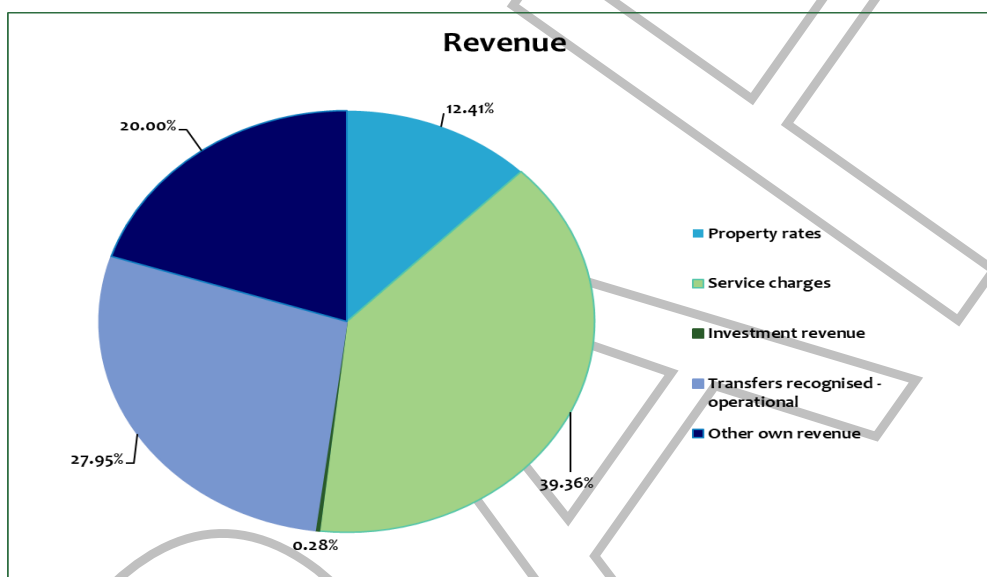
CHAPTER 5: FINANCIAL PERFORMANCE

The table below shows a summary of performance against budgets:

Financial year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000	R'000	R'000		R'000	R'000	R'000	
2016/17	319 381	317 118	(2 263)	(1)	277 707	289 672	(11 965)	(4)
2017/18	351 162	350 784	(378)	0	289 535	295 199	(5 664)	(2)

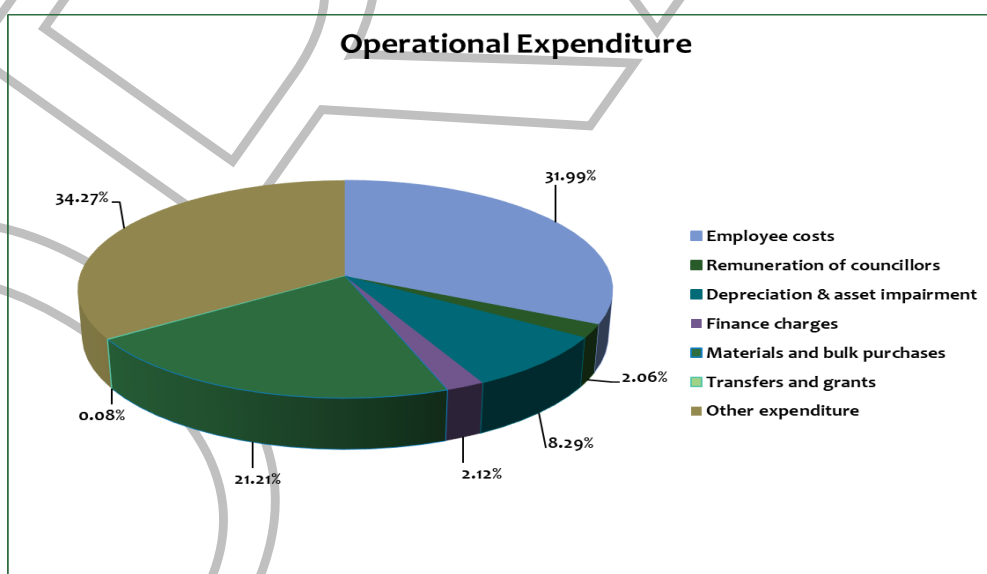
Table 178: Performance against budgets

The following graph indicates the various types of revenue items in the municipal budget for 2017/18



Graph 6.: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2017/18



Graph 7.: Operating expenditure

CHAPTER 5: FINANCIAL PERFORMANCE

5.1.1 Revenue collection by vote

The table below indicates the revenue collection performance by vote:

Vote description	2016/17	2017/18			2017/18 % variance	
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjusted budget
	R'000					
Vote 1 - Municipal Manager	0	0	1 780	966	100.00	(84.29)
Vote 2 - Director: Corporate Services	44 253	42 608	47 950	41 156	(3.53)	(16.51)
Vote 3 - Director: Financial Services	33 503	37 065	45 802	36 500	(1.55)	(25.48)
Vote 4 - Director: Engineering Services	81 494	59 656	128 323	128 319	53.51	0.00
Vote 5 - Director: Community Services	81 532	80 516	34 594	58 597	(37.41)	40.96
Vote 6 - Director: Electrical Services	76 335	90 523	92 713	85 246	(6.19)	(8.76)
Total revenue by vote	317 118	310 368	351 162	350 784	11.52	(0.11)

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

Table 179: Revenue by vote

5.1.2 Revenue collection by source

The table below indicates the revenue collection performance by source for the 2017/18 financial year:

Description	2016/17	2017/18			2017/18% variance	
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjusted budget
	R'000					
Property rates	28 322	35 417	34 747	33 876	(4.55)	(2.57)
Service charges - electricity revenue	63 886	74 602	73 863	67 071	(11.23)	(10.13)
Service charges - water revenue	18 524	19 442	19 520	18 788	(3.48)	(3.90)
Service charges - sanitation revenue	13 175	14 531	14 513	14 151	(2.69)	(2.56)
Service charges - refuse revenue	6 953	7 490	7 488	7 413	(1.04)	(1.02)
Rentals of facilities and equipment	1 206	1 363	1 267	1 135	(20.08)	(11.57)
Interest earned - external investments	1 339	1 260	1 260	761	(65.61)	(65.61)
Interest earned - outstanding debtors	3 270	2 616	2 716	3 648	28.30	25.56
Fines	63 676	44 785	13 323	44 642	(0.32)	70.16
Licences and permits	368	595	615	330	(80.59)	(86.65)
Transfers recognised - operational	62 566	91 621	80 590	76 284	(20.11)	(5.65)
Other revenue	7 820	2 006	15 535	4 814	58.33	(222.68)
Total revenue (excluding capital transfers and contributions)	271 103	295 728	265 437	272 911	(8.36)	2.74

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

Table 180: Revenue by source

CHAPTER 5: FINANCIAL PERFORMANCE

5.1.3 Operational services performance

The table below indicates the operational services performance for the 2017/18 financial year:

Description	2016/17	2017/18			2017/18 variance	
	Actual (audited outcome)	Original budget	Adjusted budget	Actual	Original budget	Adjustments budget
	R'000				%	
Operating cost						
Governance and administration	59 931	55 923	72 583	80 865	30.84	10.24
Executive and council	18 439	14 625	17 296	19 132	23.55	9.59
Finance and administration	25 269	40 807	54 492	60 510	32.56	9.95
Internal audit	16 222	490	795	1 223	59.88	34.97
Community and public safety	88 549	46 226	31 560	22 064	(109.51)	(43.04)
Community and social services	9 538	9 387	9 068	7 402	(26.82)	(22.50)
Sport and recreation	6 972	8 099	7 910	7 457	(8.61)	(6.08)
Public safety	64 846	3 418	3 855	3 696	7.51	(4.30)
Housing	7 193	25 322	10 727	3 509	(621.60)	(205.69)
Economic and environmental services	24 491	64 570	44 920	69 102	6.56	34.99
Planning and development	5 066	5 608	5 953	5 086	(10.25)	(17.05)
Road transport	19 424	58 962	38 967	64 016	7.89	39.13
Trading services	116 820	136 555	139 990	122 759	(11.24)	(14.04)
Electricity	71 206	84 900	84 495	74 565	(13.86)	(13.32)
Water	23 287	25 528	24 635	23 968	(6.51)	(2.78)
Waste water management	9 454	11 088	13 636	9 834	(12.75)	(38.66)
Waste management	12 873	15 040	17 224	14 392	(4.50)	(19.68)
Other	0	531	482	410	(29.58)	(17.64)
Total expenditure	289 790	303 804	289 535	295 199	(0)	(0)

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual

Table 181: Operational services performance

CHAPTER 5: FINANCIAL PERFORMANCE

5.2 Financial performance per municipal function

The tables below indicate the Municipality's performance with regards to each municipal function:

5.2.1 Water services

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	26 726	27 589	67 219	70 324	4.42
Total operational expenditure	23 286	25 528	24 635	23 968	(2.78)
Net operational (service)	3 440	2 061	42 584	46 356	8.14
Variances are calculated by dividing the difference between the actual and original budget by the actual					

Table 182: Financial performance: Water services

5.2.2 Waste water (sanitation) services

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	41 075	21 466	40 519	40 019	(1.25)
Total operational expenditure	9 454	11 088	13 636	9 834	(38.66)
Net operational (service)	31 621	10 378	26 884	30 185	10.94
Variances are calculated by dividing the difference between the actual and original budget by the actual					

Table 183: Financial performance: Waste water (sanitation) services

5.2.3 Electricity

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	76 335	90 523	92 713	85 246	(8.76)
Total operational expenditure	71 206	84 900	84 495	74 565	(13.32)
Net operational (service)	5 128	5 624	8 218	10 681	23.06
Variances are calculated by dividing the difference between the actual and original budget by the actual					

Table 184: Financial performance: Electricity

CHAPTER 5: FINANCIAL PERFORMANCE

5.2.4 Waste Management

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	9 357	9 738	9 736	9 751	0.16
Total operational expenditure	12 844	15 040	17 224	14 392	(19.68)
Net operational (service)	(3 487)	(5 302)	(7 488)	(4 640)	(61.37)

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

Table 185: Financial performance: Waste management

5.2.5 Housing

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	6 051	24 123	9 428	2 212	(326.17)
Total operational expenditure	7 193	25 322	10 727	3 509	(205.69)
Net operational (service)	(1 142)	(1 199)	(1 299)	(1 297)	(0.16)

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

Table 186: Financial performance: Housing

5.2.6 Road transport

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	74 980	52 610	21 651	56 621	61.76
Total operational expenditure	79 527	58 962	38 967	64 016	39.13
Net operational (service)	(4 547)	(6 353)	(17 316)	(7 394)	(134.19)

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

Table 187: Financial performance: Road transport

5.2.7 Planning and development

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	373	402	401	404	0.91
Total operational expenditure	5 066	5 608	5 953	5 086	(17.05)
Net operational (service)	(4 693)	(5 206)	(5 553)	(4 682)	(11.18)

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

Table 188: Financial performance: Planning and development

CHAPTER 5: FINANCIAL PERFORMANCE

5.2.8 Community and social services

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	5 789	6 358	6 316	6 059	(4.25)
Total operational expenditure	7 076	9 387	9 068	7 402	(22.50)
Net operational (service)	(1 287)	(3 030)	(2 751)	(1 343)	(104.84)

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

Table 189: Financial performance: Community and social services

5.2.9 Public safety

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	1 405	801	801	676	(18.55)
Total operational expenditure	2 830	3 418	3 855	3 696	(4.30)
Net operational (service)	(1 425)	(2 617)	(3 053)	(3 020)	(1.11)

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

Table 190: Financial performance: Public safety

5.2.10 Sport and recreation

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	2 095	2 422	12 145	5 801	(109.37)
Total operational expenditure	6 972	8 099	7 910	7 457	(6.08)
Net operational (service)	(4 877)	(5 677)	4 235	(1 656)	355.66

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

Table 191: Financial performance: Sport and recreation

5.2.11 Executive and Council

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	2 095	2 422	12 145	5 801	(109.37)
Total operational expenditure	6 972	8 099	7 910	7 457	(6.08)
Net operational (service)	(4 877)	(5 677)	4 235	(1 656)	355.66

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

Table 192: Financial performance: Executive and Council

CHAPTER 5: FINANCIAL PERFORMANCE

5.2.12 Finance and Administration

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	34 299	37 793	51 765	37 138	(39.38)
Total operational expenditure	46 491	40 807	54 492	60 510	9.95
Net operational (service)	(12 192)	(3 014)	(2 727)	(23 372)	88.33

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

Table 193: Financial performance: Finance and Administration

5.2.13 Executive and Council

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	38 632	36 545	38 168	36 031	(5.93)
Total operational expenditure	16 411	14 625	17 296	19 132	9.59
Net operational (service)	22 221	21 919	20 872	16 900	(23.51)

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

Table 194: Financial performance: Executive and Council

5.2.14 Internal Audit

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	0	0	300	500	40
Total operational expenditure	901	490	795	1 223	34.97
Net operational (service)	(901)	(490)	(495)	(723)	31.49

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

Table 195: Financial performance: Corporate Services

5.2.15 Other

Description	2016/17	2017/18			
	Actual	Original budget	Adjusted budget	Actual	% variance to budget
	R'000				
Total operational revenue	0	0	0	0	N/A
Total operational expenditure	413	531	482	410	(17.64)
Net operational (service)	(413)	(531)	(482)	(410)	(17.64)

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

Table 196: Financial performance: Other

CHAPTER 5: FINANCIAL PERFORMANCE

5.3 Grants

5.3.1 Grant performance

The Municipality spent an amount of **R157 million** on infrastructure and other projects available which was received in the form of grants from National and provincial governments during the 2017/18 financial year. The performance in the spending of these grants is summarised as follows:

Description	2016/17	2017/18			2017/18 variance	
	Actual (audited outcome)	Budget	Adjustments budget	Actual	Original budget	Adjustments budget
	R'000				%	
Operating transfers and grants						
National government:	80 146	74 559	104 155	104 145	28.41	-0.01
Equitable Share	46 569	51 060	51 060	51 060	0.00	0.00
Local Government Financial Management Grant	1 625	1 700	1 700	1 700	0.00	0.00
Energy Efficiency and Demand Side Management Grant	0	6 000	6 000	6 000	0.00	0.00
Municipal Infrastructure Grant	25 835	14 140	14 140	14 140	0.00	0.00
Integrated National Electrification Grant	4 500	0	6 600	6 600	100.00	0.00
Expanded Public Works Programme Integrated Grant	1 617	1 659	1 659	1 659	0.00	0.00
Department Rural Development and Land Reform	0	0	22 996	22 986	100.00	-0.04
Provincial government:	38 850	31 702	53 627	51 184	38.06	(4.77)
Human Settlements Development Grant (Beneficiaries)	32 934	24 000	37 615	31 357	23.46	(19.96)
Provincial Treasury : Financial Management Capacity Building Grant	0	240	240	740	67.57	67.57
Provincial Treasury : Financial Management Support Grant	340	0	2 030	2 030	100.00	0.00
Department of Transport and Public Works : Maintenance and Construction of Transport Infrastructure	0	1 048	1 048	4 834	78.32	78.32
Department of Cultural Affairs and Sport : Library Service: Replacement Funding	4 800	5 080	5 080	5 110	0.58	0.58
Department of Local Government : Fire Service Capacity Building Grant	0	800	800	800	0.00	0.00
Department of Local Government : Community Development Workers (CDW) Operational Support Grant	206	204	204	204	0.00	0.00
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	0	330	330	330	0.00	0.00
Department of Local Government : Municipal Drought Relief Grant	0	0	5 780	5 300	100.00	(9.06)

CHAPTER 5: FINANCIAL PERFORMANCE

Description	2016/17	2017/18			2017/18 variance	
	Actual (audited outcome)	Budget	Adjustments budget	Actual	Original budget	Adjustments budget
	R'000				%	
Operating transfers and grants						
Development of Sport and Recreation Facilities	510	0	0	0	N/A	N/A
Department of Local Government: Municipal Service Delivery and Capacity Building Grant	60	0	500	480	100.00	(4.17)
Total operating transfers and grants	118 996	106 261	157 782	155 329	31.59	(1.58)

Table 197: Operating grant performance

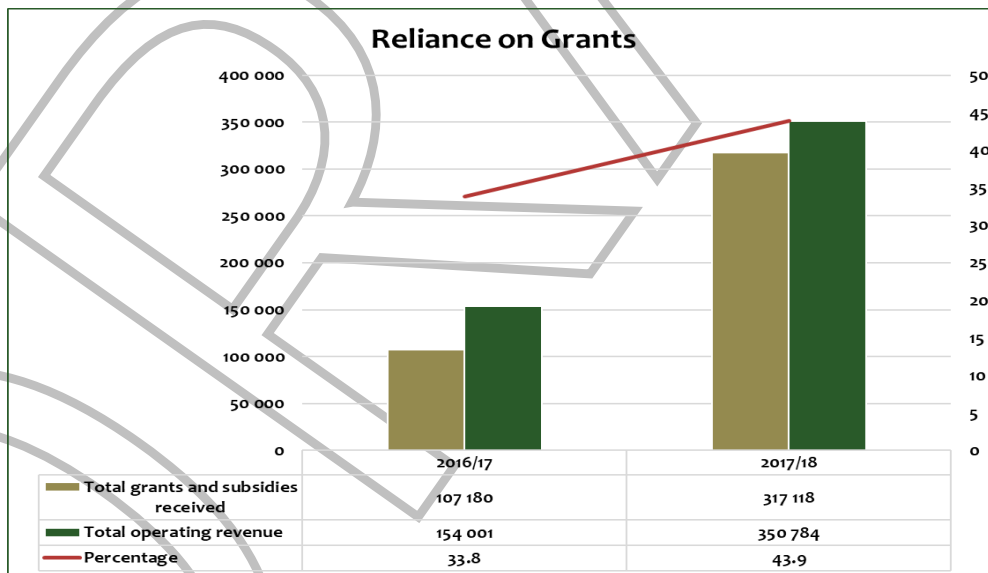
5.3.2 Level of reliance on grants and subsidies

The table below reflects the level of reliance on grants and subsidies

Financial year	Total grants and subsidies received	Total operating revenue	Percentage
	R'000		%
2016/17	107 180	317 118	33.80
2017/18	154 001	350 784	43.90

Table 198: Reliance on grants

The following graph gives a visual relationship between the two financial years and the trend based on grant received and operating revenue



Graph 8.: Reliance on grants

CHAPTER 5: FINANCIAL PERFORMANCE

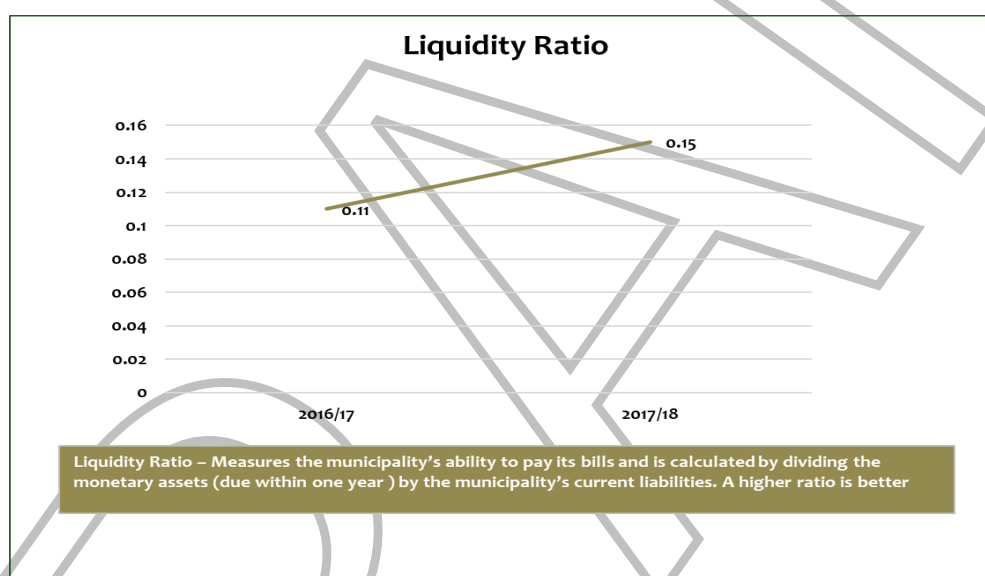
5.4 Financial ratios based on KPIs

The graphs and tables below indicate the Municipality's performance in relation to the financial ratios:

5.4.1 Liquidity ratio

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Current ratio	Current assets/current liabilities	0.84	0.87
Current ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.62	0.63
Liquidity ratio	Cash and equivalents/Trade creditors and short-term borrowings	0.11	0.15

Table 199: Liquidity financial ratio



Graph 9.: Liquidity ratio

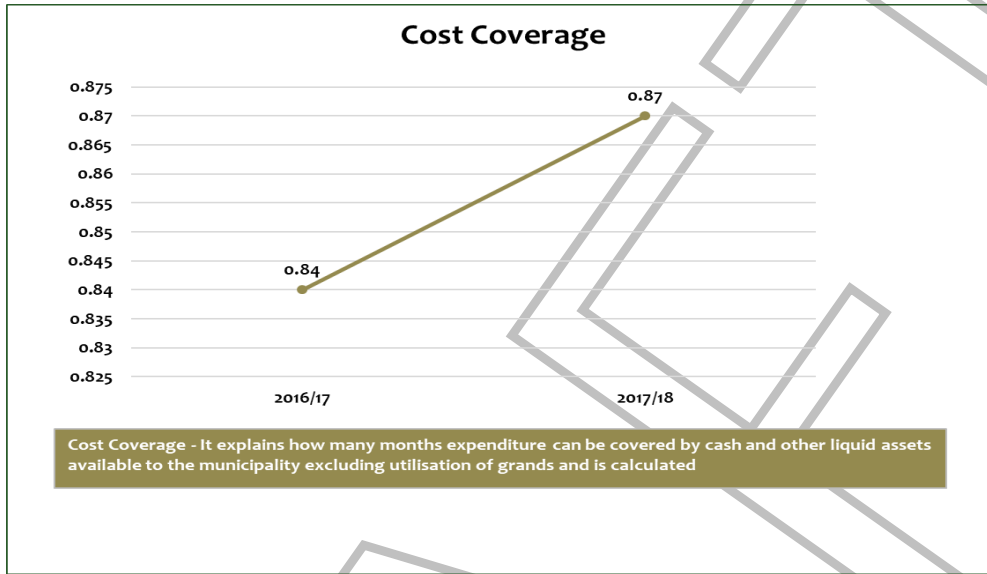
5.4.2 IDP regulation financial viability indicators

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.30	0.22
Total outstanding service debtors to revenue	Total outstanding service debtors/annual revenue received for services	33.64%	41.16%
Debt coverage	(Total operating revenue - operating grants)/Debt service payments due within financial year)	19.04	26.53

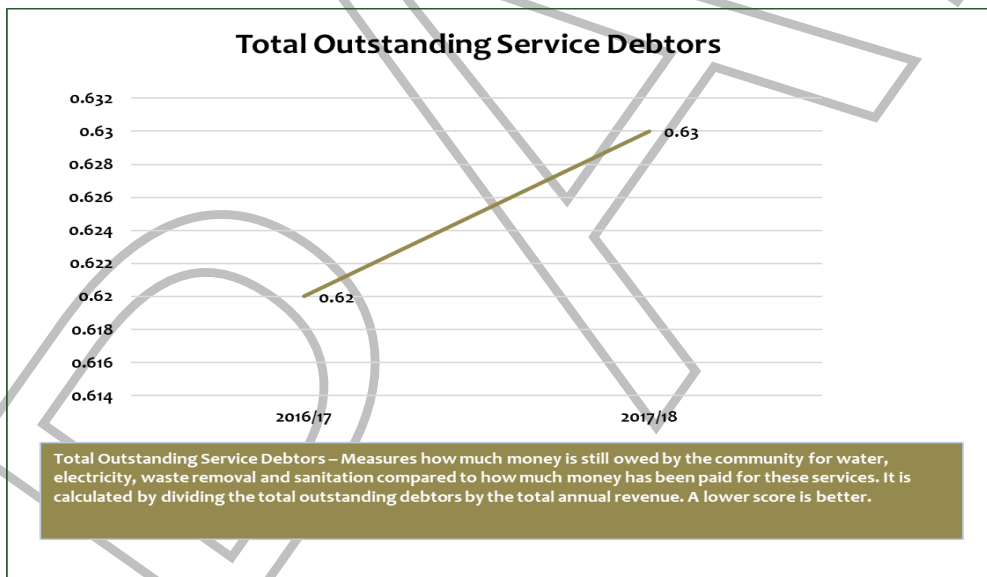
Table 200: Financial viability national KPAs

CHAPTER 5: FINANCIAL PERFORMANCE

The following graphs illustrates the compared financial viability indicators for the past two financial years:

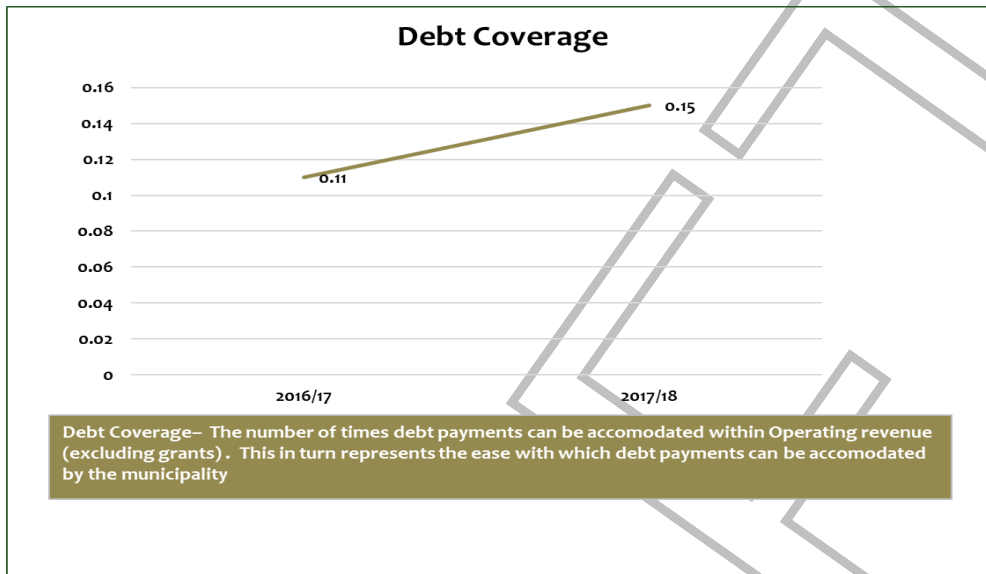


Graph 10.: Cost coverage



Graph 11.: Outstanding service debtors to revenue

CHAPTER 5: FINANCIAL PERFORMANCE



Graph 12.: Debt coverage

5.4.3 Repairs and maintenance

The following table illustrates the Municipality's proportion of operating expenditure in relation to repairs and maintenance:

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Repairs and maintenance	R and M/(Total revenue excluding capital revenue)	5.28%	8.85%

Table 201: Repairs and maintenance

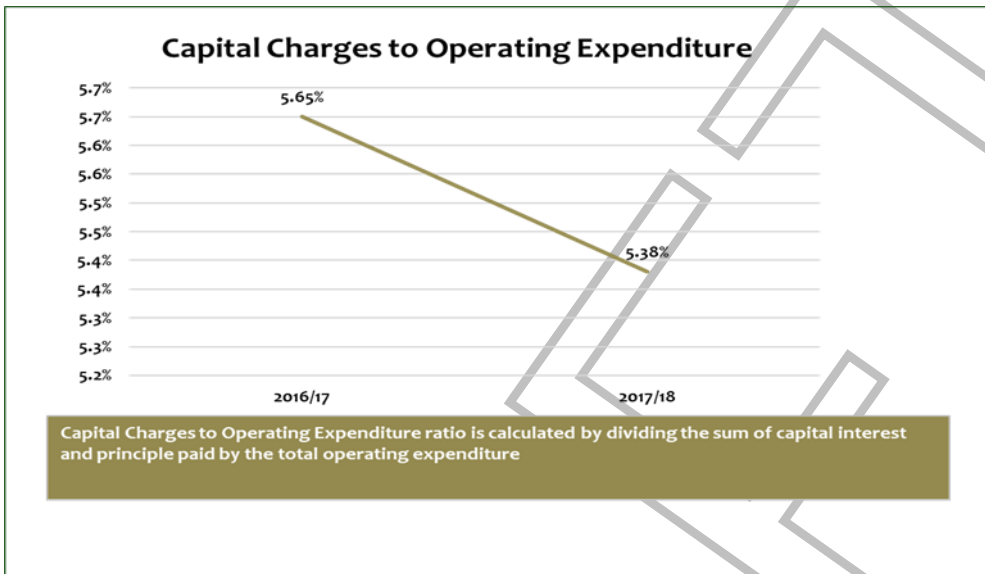
5.4.4 Borrowing management

The following table and graph illustrate the Municipality's proportion of capital charges in relation to operating expenditure:

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Capital charges to operating expenditure	Interest and principal paid/ Operating expenditure	3.78%	2.51%

Table 202: Borrowing management

CHAPTER 5: FINANCIAL PERFORMANCE



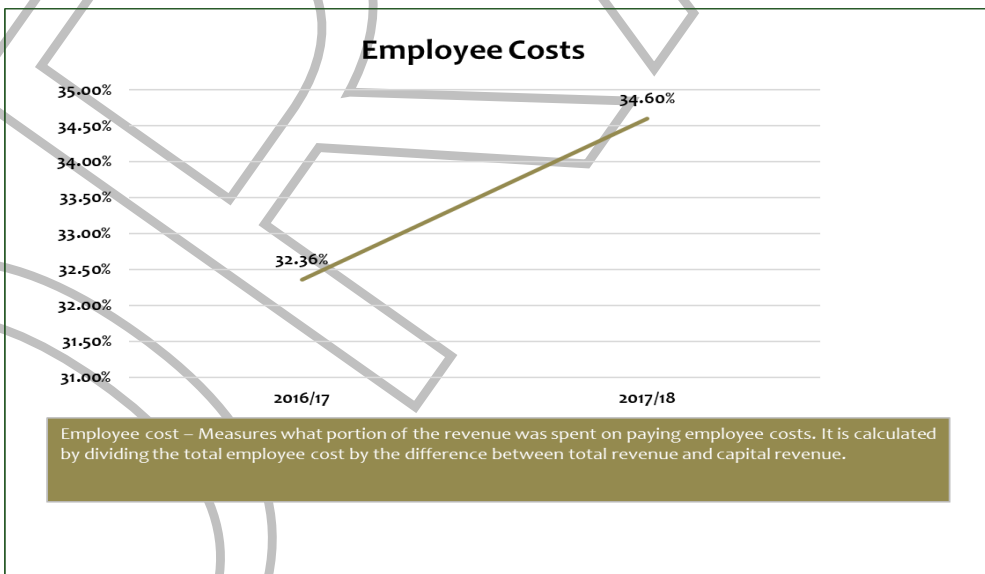
Graph 13.: Capital charges to operating expenditure

5.4.5 Employee costs

The table and graph below illustrate the Municipality’s portion of revenue spent on employee costs for the past two financial years:

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total revenue - capital revenue)	32.36%	34.60%

Table 203: Employee costs



Graph 14.: Employee costs

CHAPTER 5: FINANCIAL PERFORMANCE

COMPONENT B: CASH FLOW MANAGEMENT AND INVESTMENTS

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

5.5 Cash flow

The table below reflects the Municipality's cash flow for the financial year:

Cash flow outcomes				
R'000				
Description	2016/17	2017/18		
	Audited outcome	Original budget	Adjusted budget	Actual
Cash flow from operating activities				
Receipts				
Rate-payers and other	133 244	163 377	166 478	138 392
Government	118 996	106 261	157 782	143 648
Interest	4 016	3 794	3 794	4 408
Payments				
Suppliers and employees	(209 727)	(247 927)	(234 807)	(201 518)
Finance charges	(6 590)	(1 713)	(3 245)	(3 449)
Transfers and grants	(98)	(100)	(80)	0
Net cash from/(used) operating activities	39 841	23 692	89 923	81 481
Cash flows from investing activities				
Receipts				
Decrease (Increase) in non-current debtors	(470)	0	0	0
Decrease (increase) other non-current receivables	0	(110)	(110)	(377)
Payments				
Capital assets	(51 820)	(15 870)	(88 326)	(78 926)
Net cash from/(used) investing activities	(52 290)	(15 980)	(88 436)	(79 303)
Cash flows from financing activities				
Receipts				
Short-term loans	6 879	0	0	0
Increase (decrease) in consumer deposits	0	60	60	0
Payments				
Repayment of borrowing	(4 361)	(2 986)	(2 986)	(3 962)
Net cash from/(used) financing activities	2 518	(2 986)	(2 926)	(3 962)
Net increase/ (decrease) in cash held	(9 931)	4 726	(1 439)	(1 783)
Cash/cash equivalents at the year begin:	16 569	6 637	6 637	6 637
Cash/cash equivalents at the yearend:	6 637	11 364	5 199	4 854

Table 204: Cash flow

CHAPTER 5: FINANCIAL PERFORMANCE

5.6 Gross outstanding debtors per service

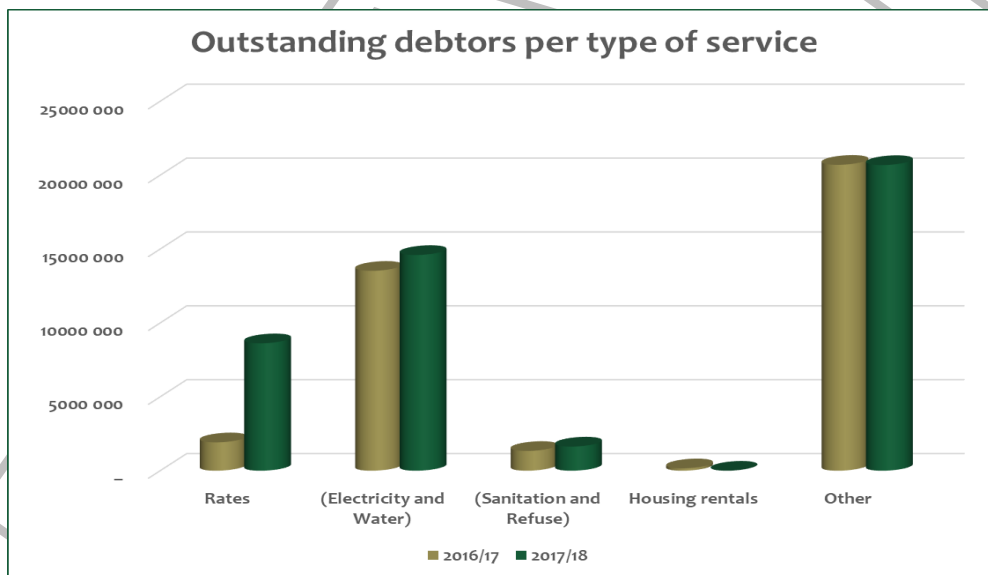
The table below reflects the debtor's analysis per service for the previous financial years:

Financial year	Rates	Trading services (Electricity and water)	Economic services (Sanitation and refuse)	Housing rentals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
	2016/17	1 919	13 527	1 338	162	20 700
2017/18	8 622	14 599	1 634	2	20 685	45 543
Difference	6 703	1 072	297	(160)	(15)	7 897
% growth year on year	349	8	22	(99)	0	21

Note: Figures exclude provision for bad debt

Table 205: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2017/18:



Graph 15.: Debt per type of service

CHAPTER 5: FINANCIAL PERFORMANCE

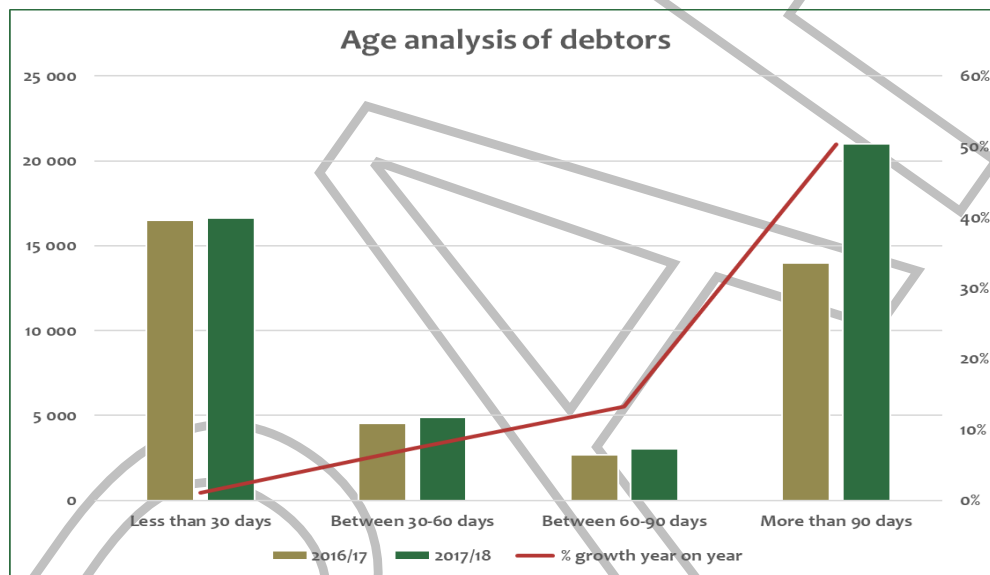
5.7 Total debtors age analysis

The table below reflects the Municipality's debtors age analysis for the past two financial years

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2016/17	16 476	4 535	2 672	13 964	37 646
2017/18	16 649	4 867	3 026	21 001	45 543
Difference	173	332	355	7 037	7 897
% growth year on year	1	7	13	50	21

Note: Figures exclude provision for bad debt.

Table 206: Service debtor age analysis



Graph 16.: Age analysis of debtors

CHAPTER 5: FINANCIAL PERFORMANCE

5.8 Borrowing and investments

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

5.8.1 Actual borrowings

The table below reflects the municipality's financial positions relating to borrowings:

Actual borrowings		
R' 000		
Instrument	2016/17	2017/18
Long-term loans (annuity/reducing balance)	10 790	9 416
Financial leases	5 834	3 795
Total	16 624	13 211

Table 207: Actual borrowings

5.8.2 Municipal investments

Actual investments		
R'000		
Investment type	2016/17	2017/18
	Actual	Actual
Deposits – bank	6 919	12 739
Total	6 919	12 379

Table 208: Municipal investments

CHAPTER 6: AUDITOR-GENERAL OPINION

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2016/17

6.1 Auditor-General report 2016/17

6.1.1 Audit report status: Disclaimer

Main issues raised under emphasis of matter	Corrective steps implemented / to be implemented
Unable to obtain sufficient appropriate audit evidence that provincial and weighbridge fines for the year under review had been properly accounted for, due to the status of the accounting records	The Municipality is in the process of compiling a detailed action report that will address the matters reported on in the audit report
Unable to obtain sufficient appropriate audit evidence that water distribution losses for the year under review had been properly accounted for, due to the status of the accounting records	
Unable to obtain sufficient appropriate audit evidence that the post retirement employee benefits, as per note 4 to the financial statements, had been properly accounted for, due to the status of the accounting records	
Included in the post retirement employee benefits, as per note 4 to the financial statements, the municipality incorrectly disclosed the contribution for the year and expenditure for the year for both the current and prior year	
Unable to obtain sufficient appropriate audit evidence that bad debts written off per debtor class for the year under review, as per note 46 to the financial statements, had been properly accounted for, due to the status of the accounting records	
Unable to obtain sufficient appropriate audit evidence that ageing of amounts past due and not impaired, as per note 46 to the financial statements, had been properly accounted for, due to the status of the accounting records	
The municipality did not disclose the balances past due and not impaired with regards to fines for the prior year in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standard of GRAP) 104 Financial Instruments. The balance past due and not impaired for the prior year should have been disclosed as R13 612 779	
Included in property, plant and equipment as per note 13 to the financial statements, are property, plant and equipment items which the municipality did not assess for impairment. Consequently, property, plant and equipment was overstated by R7 757 528 and the impairment of assets was understated by R7 757 528	
Included in the correction of error in terms of SA Standard of GRAP 3, as per note 38 to the financial statements, the municipality did not disclose the prior period error with regards to the current portion of the provision for landfill sites. Consequently, the noncurrent portion for the provision for landfill sites was understated by R5 264 718 and the current portion for the provision for landfill sites was overstated by R5 264 178	
Unable to obtain sufficient appropriate audit evidence that the long service awards, as per note 4 to the financial statements, had been properly accounted for, due to the status of the accounting records	
The total payables from exchange transactions were overstated by R3 350 746 due to the cumulative effect of individually material uncorrected misstatements not made to the total trade payables from exchange transactions	
Included in the general expenses, as per note 37 to the financial statements, are repairs and maintenance expenditures that the municipality did not recognise at the correct amounts. Consequently,	

CHAPTER 6: AUDITOR-GENERAL OPINION

Main issues raised under emphasis of matter	Corrective steps implemented / to be implemented
<p>general expenses were overstated by R3 239 486, taxes and inventory were overstated by respectively R176 807 and R563 and property, plant and equipment, trade receivables from exchange transactions and trade payables were understated by respectively R955 294, R2 486 627 and R25 065. Additionally, there was a resultant impact on the net surplus for the year</p>	
<p>The municipality did not disclose the reasons for material variances for provisions and employee benefits in the statement of comparison of budget and actual amounts for the comparison of actual figures to final budget in accordance with SA Standard of GRAP 24, Presentation of budget information in financial statements</p>	
<p>The municipality did not disclose the reasons for material variances for suppliers and employees in the statement of comparison of budget and actual amounts for the adjustments to approved budget in accordance with SA Standard of GRAP 24, Presentation of budget information in financial statements</p>	
<p>Included in the statement of comparison of budget and actual amounts-cash flow statement, the municipality incorrectly disclosed the amounts per the approved adjustment budget in the financial statements. Consequently, repayment of borrowings was overstated by R2 824 266 and suppliers and employees was understated by R2 824 266 for the comparison of actual figures to final budget, and the suppliers and employees and cash and cash equivalents at the beginning of the year were understated by R1 344 230 and R494 681 respectively for the adjustments to approved budget</p>	
<p>During the year ended 30 June 2017 the municipality's current liabilities exceeded its current assets by R5 million as stated in the statement of financial position. As stated in note 54, these events or conditions, along with other matters set forth in note 41 indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern</p>	
<p>The municipality did not have an adequate performance management system to maintain records and to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements</p>	
<p>The annual financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA</p>	
<p>The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1)(c) of the Municipal Systems Act (MSA)</p>	
<p>Some of the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of Supply Chain Management regulation 17(a) and (c). Similar non-compliance was also reported in the prior year</p>	
<p>Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year</p>	
<p>Some of the contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations</p>	
<p>Reasonable steps were not taken to prevent unauthorised expenditure amounting to R25 472 202 as disclosed in note 43.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the fact that the actual spending per vote exceeded the budgeted amount per vote</p>	
<p>Effective steps were not taken to prevent irregular expenditure amounting to R35 979 587 as disclosed in note 43.3 to the annual financial statements,</p>	

CHAPTER 6: AUDITOR-GENERAL OPINION

Main issues raised under emphasis of matter	Corrective steps implemented / to be implemented
<p>as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with regulation 5 of the Municipal Supply Chain Management Regulations. Irregular expenditure amounting to R32 105 315 was incurred on the low-cost housing project</p>	
<p>Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 016 152 as disclosed in note 43.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA</p>	
<p>A senior manager was appointed without the post being advertised, as required by section 56(3)(a) of the Municipal Systems Act (MSA) and regulations on appointment and conditions of employment of senior managers 10(2)</p>	
<p>Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA</p>	
<p>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</p>	
<p>Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA</p>	
<p>Management did not exercise oversight responsibility over financial reporting and related internal control processes. Management has not established and communicated policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities relating to the process of and timeline for the drafting of the financial statements and annual performance report to ensure that the financial statements and annual performance report are reviewed on a timely basis</p>	
<p>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 as no designated official was assigned to ensure that a supporting audit file was prepared on a timely basis together with the financial statements and the annual performance report. The financial statements and annual performance report contained numerous misstatements which was mainly due to management not reviewing the financial statements and annual performance report before submission for audit as a result of time constraints as well as staff not fully understanding the requirements of the financial reporting framework. Non-compliance with legislation could have been prevented had compliance, including compliance with Supply Chain Management Regulations, been properly reviewed and monitored</p>	

Table 209: Auditor-General report 2016/17





CHAPTER 6: AUDITOR-GENERAL OPINION

COMPONENT B: AUDITOR-GENERAL OPINION 2017/18

6.2 Auditor-General report 2017/18

6.2.1 Audit report status: Qualified

The table above below reflects only the main issues raised during the audit performed by the Auditor-General. For the detailed audit findings and action plans, please refer to Annexure C of this report.

Main issues raised	Corrective steps implemented / to be implemented
Corresponding figures for 30 June 2017	
<p>Fines, penalties and forfeits:</p> <p>During 2017, The AG was unable to obtain sufficient appropriate audit evidence for provincial and weighbridge fines and confirm the revenue by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to provincial and weighbridge fines stated at R8 139 073 in the corresponding figures for 30 June 2017</p>	<ol style="list-style-type: none"> 1. Monthly listings of all fine types maintain, based on reports from service provider. 2. Update listings with payments received and allocated on financial system. 3. Monthly reconciliations between listings and financial system 4. Monthly listings utilise in preparation of AFS. 5. Management will ensure that a designated official is assigned to prepare an audit file on a timely basis together with the financial statements and to ensure that the information contained in the audit file is reconciled and referenced to the information disclosed in the AFS. 6. Timely, rigorous review of the draft AFS prior to submission to the AG
<p>Financial instruments:</p> <p>During 2017, the AG was unable to obtain sufficient appropriate audit evidence for bad debts written off per debtor class and confirm the disclosure by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to the disclosure of bad debts written off per debtor class stated at R4 331 728 in the corresponding figures for 30 June 2017</p>	<p>Bad Debts written off during 2017 was adjust within the final audited AFS.</p>
<p>Current assets:</p> <p>The total current assets in the corresponding figures for 30 June 2017 were overstated by R3 939 534 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:</p> <ul style="list-style-type: none">  Receivables from exchange transactions stated at R17 263 873 was overstated by R2 374 958.  Receivables from non-exchange transactions stated at R20 382 218 was overstated by R1 260 868.  Taxes stated at R6 065 549 was overstated by R204 847.  Inventory stated at R3 329 622 was overstated by R98 861 	<p>Management will ensure that a designated official is assigned to ensure that the information contained into Receivables, Taxes and inventory are reconciled and referenced to the information disclosed in the AFS.</p>
Material uncertainty relating to going concern	

CHAPTER 6: AUDITOR-GENERAL OPINION

Main issues raised	Corrective steps implemented / to be implemented
Corresponding figures for 30 June 2017	
The AG draws attention to the statement of financial position, which indicates that the municipality's current liabilities exceeded its current assets by R11 million as at 30 June 2018. This event or condition, along with other matters as stated in note 62 to the financial statements, indicates that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern	Management must implement controls to improve the liquidity ratio of the Municipality
Emphasis of matters	
Material impairments/losses: As disclosed in note 11 to the financial statements, the municipality provided for the impairment of receivables from exchange transactions amounting to R61,2 million (2016: R51,5 million).	Management must implement controls to improve debt collection of debtors
Material impairments/losses: As disclosed in note 12 to the financial statements, the municipality provided for the impairment of receivables from non-exchange transactions amounting to R121,7 million (2016: R92,7 million)	Management must implement controls to improve debt collection of debtors and to collect outstanding traffic fines
Material impairments/losses: As disclosed in the statement of financial performance, the municipality wrote off bad debts amounting to R5,6 million (2016: R4,3 million).	Management must implement controls to improve debt collection of debtors
Material impairments/losses: As disclosed in note 46 to the financial statements, material electricity losses of 7 779 399 Kwh (2016-17: 4 906 432 Kwh) were incurred, which represented 13,49% (2016: 9,02%) of total electricity purchased.	Management must implement controls to decrease electricity losses
Material impairments/losses: As disclosed in note 46 to the financial statements, material water losses of 1 118 151 kilolitres (2016-17: 1 153 505 kilolitres) were incurred, which represented 42,24% (2016: 43,57%) of total water purchased	Management must implement controls to decrease water losses and a watermeter audit must be done

Table 210: Auditor-General report 2017/18

6.2.2 Auditor-General Report on the Financial Statements 2017/18

The report of the Auditor-General is attached as Annexure B to this report and the Annual Financial Statements attached as Annexure A

LIST OF TABLES, FIGURES AND GRAPHS

LIST OF TABLES

Table 1: Demographic information of the municipal area – Total population.....	5	Table 24: Executive Mayoral Committee meetings	19
Table 2: Population by race	6	Table 25: Portfolio Committees (1 July 2017 to 28 March 2018)	20
Table 3: Population by age	6	Table 26: Portfolio Committees (29 March 2018 to 26 June 2018)	20
Table 4: Total Number of households.....	6	Table 27: Portfolio Committees (27 June 2018 to 29 June 2018)	21
Table 5: Municipal wards.....	8	Table 28: Administrative governance structure.....	21
Table 6: Key economic activities	10	Table 29: Intergovernmental structures.....	22
Table 7: Basic services delivery highlights	11	Table 30: Joint projects and functions.....	23
Table 8: Basic services delivery challenges.....	11	Table 31: Public meetings.....	23
Table 9: Households with minimum level of basic services..	11	Table 32: Ward 1: Committee meetings	24
Table 10: Financial viability highlights	12	Table 33: Ward 2: Committee meetings	24
Table 11: Financial viability challenges	12	Table 34: Ward 3: Committee meetings	25
Table 12: National KPI's for financial viability and management	12	Table 35: Ward 4: Committee meetings	25
Table 13: National KPIs - Good governance and public participation performance	13	Table 36: Ward 5: Committee meetings	25
Table 14: Financial overview	13	Table 37: Ward 6: Committee meetings	26
Table 15: Total capital expenditure	13	Table 38: Ward 7: Committee meetings	26
Table 16: Audit outcomes	14	Table 39: Functioning of ward committees (before elections).....	27
Table 17: Council (from 1 July 2017 to 25 February 2018)	16	Table 40: Labour Forum	27
Table 18: Council (from 25 February 2018 to 26 June 2018).....	16	Table 41: Strategic risks.....	29
Table 19: Council (from 27 June 2018 to 29 June 2018)..	17	Table 42: Risk profile	29
Table 20: Council meetings	17	Table 43: Members of the Risk Committee	30
Table 21: Mayoral Committee members (1 July 2017 to 26 February 2018)	18	Table 44: Strategies and response plan.....	30
Table 22: Mayoral Committee members (26 February 2018 to 26 June 2018)	18	Table 45: Members of the AC and PAC	32
Table 23: Mayoral Committee members (26 June 2018 to 30 June 2018).....	18	Table 46: Internal audit plan.....	33
		Table 47: By-laws developed and reviewed	33
		Table 48: Communication activities	34
		Table 49: Additional communication channels	34



LIST OF TABLES, FIGURES AND GRAPHS

Table 50:	Website checklist.....	35	Table 72:	Capital expenditure: Water Services.....	59
Table 51:	Bid committee meetings.....	36	Table 73:	Sanitation Services highlight.....	59
Table 52:	Members of bid committees.....	36	Table 74:	Sanitation Services challenge.....	60
Table 53:	Highest bids awarded by Bid Adjudication Committee.....	37	Table 75:	Sanitation service delivery levels.....	60
Table 54:	Summary of deviations.....	37	Table 76:	Employees: Sanitation Services.....	61
Table 55:	Clause 36(1)(a)(v)- deviations- impractical and or impossible.....	38	Table 77:	Capital expenditure: Sanitation Services.....	62
Table 56:	Performance agreement: Signed date.....	42	Table 78:	Electricity Services highlights.....	63
Table 57:	Ensure liquidity of the administration.....	45	Table 79:	Electricity Services challenges.....	63
Table 58:	Establishment of a well governed and accountable administration.....	46	Table 80:	Electricity service delivery levels.....	64
Table 59:	Provide for the needs of indigent households through improved services.....	47	Table 81:	Employees: Electricity Services.....	64
Table 60:	Provision of basic services to all the people in the municipal area.....	49	Table 82:	Capital expenditure: Electricity Services.....	65
Table 61:	Sustainability of the environment.....	50	Table 83:	Waste management highlights.....	66
Table 62:	To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development.....	50	Table 84:	Waste management challenges.....	66
Table 63:	To improve and maintain current basic service delivery through specific infrastructural development projects.....	54	Table 85:	Waste management service delivery levels ...	67
Table 64:	Transparency and participation.....	54	Table 86:	Employees: Waste management.....	68
Table 65:	Municipal functions.....	56	Table 87:	Employees: Basic Services: Merweville, Murraysburg and Nelspoort.....	68
Table 66:	Water Services highlights.....	56	Table 88:	Housing needs.....	69
Table 67:	Water Services challenges.....	57	Table 89:	Prioritised housing sites.....	69
Table 68:	Total use of water by sector (cubic meters	57	Table 90:	GAP housing sites.....	70
Table 69:	Water service delivery levels.....	57	Table 91:	Housing: highlights.....	70
Table 70:	Access to water.....	58	Table 92:	Housing: challenges.....	70
Table 71:	Employees: Water Services.....	58	Table 93:	Households with access to basic housing	70
			Table 94:	Housing waiting list.....	71
			Table 95:	Houses built in 2017/18.....	71
			Table 96:	Employees: Housing.....	71
			Table 97:	Free basic services: Number of households	72
			Table 98:	Free basic services: Electricity.....	72
			Table 99:	Free basic services: Water.....	72
			Table 100:	Free basic services: Sanitation.....	73



LIST OF TABLES, FIGURES AND GRAPHS

Table 101: Free basic services: Refuse removal.....73	Table 124: Fire and disaster management services highlight 82
Table 102: Roads highlight.....73	Table 125: Fire and disaster management services challenges 82
Table 103: Roads challenge74	Table 126: Service statistics for Fire and Disaster Management Services 82
Table 104: Gravel road infrastructure.....74	Table 127: Employees: Fire and Disaster Management Services 83
Table 105: Tarred road infrastructure74	Table 128: Sport and recreation highlight 83
Table 106: Cost of construction/maintenance of roads and stormwater74	Table 129: Service statistics for sport and recreation..... 84
Table 107: Employees: Roads and stormwater75	Table 130: Employees: Sport and recreation 84
Table 108: Capital expenditure: Roads and stormwater ..75	Table 131: Capital expenditure: Sport and recreation 85
Table 109: Waste water (stormwater drainage) challenges76	Table 132: Corporate Services challenges 86
Table 110: Stormwater infrastructure.....76	Table 133: Corporate Services statistics 86
Table 111: Cost of construction/maintenance of stormwater systems.....76	Table 134: Employees: Administration 87
Table 112: Employees: Fleet management77	Table 135: Employees: Councillor Support and Thusong Service Centres 87
Table 113: Service statistics: Planning and building control77	Table 136: Employees: Municipal Management Services 87
Table 114: Employees: Planning and building control.....78	Table 137: Financial Services highlights..... 87
Table 115: Libraries highlights79	Table 138: Financial Services challenges 88
Table 116: Libraries challenges.....79	Table 139: Debt recovery 88
Table 117: Service statistics for libraries 80	Table 140: Employees: Financial Services..... 89
Table 118: Employees: Libraries 80	Table 141: HR highlights..... 89
Table 119: Capital expenditure: Libraries..... 80	Table 142: HR challenges..... 89
Table 120: Traffic services and law enforcement highlight 81	Table 143: Employees: HR 90
Table 121: Traffic and Law Enforcement Services challenges 81	Table 144: ICT Services highlights 90
Table 122: Service statistics for Traffic and Law Enforcement Services 81	Table 145: ICT Services challenges..... 91
Table 123: Employees: Traffic and Law Enforcement Services82	Table 146: Procurement Services highlights 91
	Table 147: Procurement Services challenges..... 92
	Table 148: Service statistics for Procurement Services ... 92



LIST OF TABLES, FIGURES AND GRAPHS

Table 149: Statistics of deviations: Procurement Services92	Table 165: Occupational categories.....100
Table 150: Municipal buildings challenge.....93	Table 166: Vacancy rate per post and functional level ...100
Table 151: Cost of maintenance of municipal buildings ...93	Table 167: Staff turnover rate..... 101
Table 152: Employees: Municipal building93	Table 168: Injuries 101
Table 153: Fleet Management Services highlights 95	Table 169: Sick Leave102
Table 154: Fleet Management Services challenges 95	Table 170: HR Policy list in categories103
Table 155: Service delivery priority for 2017/18: Ensure liquidity of the administration 95	Table 171: Skills matrix104
Table 156: Service delivery priority for 2017/18: Establishment of a well governed and accountable administration 96	Table 172: Skills development.....105
Table 157: Service delivery priority for 2017/18: Provide for the needs of indigent households through improved services..... 96	Table 173: Budget allocated and spent for skills development.....105
Table 158: Service delivery priority for 2017/18: Provision of basic services to all the people in the municipal area97	Table 174: MFMA competencies.....106
Table 159: Service delivery priority for 2017/18: Sustainability of the environment97	Table 175: Personnel expenditure107
Table 160: Service delivery priority for 2017/18: To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development97	Table 176: Councillor and staff benefits108
Table 161: Service delivery priority for 2018/19: To improve and maintain current basic service delivery through specific infrastructural development projects 98	Table 177: Financial performance 2017/18 110
Table 162: National KPIs– Municipal transformation and organisational development..... 99	Table 178: Performance against budgets..... 111
Table 163: 2017/18 Employment equity targets and actuals by racial classification..... 99	Table 179: Revenue by vote112
Table 164: 2017/18 Employment equity targets and actuals by gender classification..... 99	Table 180: Revenue by source112
	Table 181: Operational services performance113
	Table 182: Financial performance: Water services..... 114
	Table 183: Financial performance: Waste water (sanitation) services 114
	Table 184: Financial performance: Electricity..... 114
	Table 185: Financial performance: Waste management .115
	Table 186: Financial performance: Housing115
	Table 187: Financial performance: Road transport.....115
	Table 188: Financial performance: Planning and development.....115
	Table 189: Financial performance: Community and social services..... 116
	Table 190: Financial performance: Public safety 116



LIST OF TABLES, FIGURES AND GRAPHS

Table 191:	Financial performance: Sport and recreation	116	Graph 4.:	Electricity service delivery levels.....	64
Table 192:	Financial performance: Executive and Council	116	Graph 5.:	Waste management service delivery levels ...	67
Table 193:	Financial performance: Finance and Administration	117	Graph 6.:	Revenue	111
Table 194:	Financial performance: Executive and Council	117	Graph 7.:	Operating expenditure.....	111
Table 195:	Financial performance: Corporate Services ...	117	Graph 8.:	Reliance on grants	119
Table 196:	Financial performance: Other	117	Graph 9.:	Liquidity ratio	120
Table 197:	Operating grant performance	119	Graph 10.:	Cost coverage	121
Table 198:	Reliance on grants	119	Graph 11.:	Outstanding service debtors to revenue.....	121
Table 199:	Liquidity financial ratio	120	Graph 12.:	Debt coverage.....	122
Table 200:	Financial viability national KPAs	120	Graph 13.:	Capital charges to operating expenditure.....	123
Table 201:	Repairs and maintenance.....	122	Graph 14.:	Employee costs.....	123
Table 202:	Borrowing management.....	122	Graph 15.:	Debt per type of service	125
Table 203:	Employee costs.....	123	Graph 16.:	Age analysis of debtors	126
Table 204:	Cash flow	124			
Table 205:	Gross outstanding debtors per service	125			
Table 206:	Service debtor age analysis	126			
Table 207:	Actual borrowings	127			
Table 208:	Municipal investments.....	127			
Table 209:	Auditor-General report 2016/17	130			
Table 210:	Auditor-General report 2017/18.....	132			

LIST OF FIGURES

Figure 1.:	Beaufort West municipal area and wards	8
Figure 2.:	SDBIP measurement categories	43

LIST OF GRAPHS

Graph 1.:	Overall performance per strategic objective .	44
Graph 2.:	Water service delivery levels.....	58
Graph 3.:	Sanitation service delivery levels.....	61



ABBREVIATIONS

LIST OF ABBREVIATIONS

AG	Auditor-General	SAMDI	South African Management Development Institute
CAPEX	Capital Expenditure	SCM	Supply Chain Management
CBP	Community Based Planning	SDBIP	Service Delivery and Budget Implementation Plan
CFO	Chief Financial Officer	SDF	Spatial Development Framework
DPLG	Department of Provincial and Local Government	WWTW	Waste Water Treatment Works
DWAF	Department of Water Affairs and Forestry		
EE	Employment Equity		
GRAP	Generally Recognised Accounting Practice		
HR	Human Resources		
IDP	Integrated Development Plan		
IFRS	International Financial Reporting Standards		
IMFO	Institute for Municipal Finance Officers		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
LED	Local Economic Development		
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)		
MIG	Municipal Infrastructure Grant		
MM	Municipal Manager		
MSA	Municipal Systems Act No. 32 of 2000		
MTECH	Medium Term Expenditure Committee		
NGO	Non-governmental organisation		
NT	National Treasury		
OPEX	Operating expenditure		
PMS	Performance Management System		
PT	Provincial Treasury		
SALGA	South African Local Government Organisation		

**ANNEXURE A:
ANNUAL
FINANCIAL
STATEMENTS**


Beaufort West

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2018


2018 -12- 2 1
AUDITOR GENERAL
SOUTH AFRICA

BEAUFORT WEST LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Report of the Chief Financial officer	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	7
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	8
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	9
Accounting Policies	10 - 47
Notes to the Financial Statements	48 - 105
APPENDICES	
A Schedule of External Loans	106
B Segmental Statement of Financial Performance - GFS Classifications	107
C Segmental Statement of Financial Performance - Municipal Votes	108
D Segmental Analysis of Property, Plant and Equipment - GFS Classifications	109
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	110



BEAUFORT WES LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Beaufort West Municipality is a local municipality performing the functions as set out in the Constitution (Act no 106 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Beaufort West Municipality includes the following areas:

Beaufort West
Nalepaort
Marnewville
Murraysburg

EXECUTIVE MAYOR

N. Constable

DEPUTY EXECUTIVE MAYOR

T.Prince

SPEAKER

S.M. Mokoane

CHIEF WHIP

A.M. Kilezi

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor	N. Constable
Deputy Executive Mayor	T.Prince
Speaker	S.M. Mokoane
Chief Whip	A.M. Kilezi

MUNICIPAL MANAGER

Mr. K. Haarhoff

CHIEF FINANCIAL OFFICER

Mr. C.J. Kymdall

REGISTERED OFFICE

112 Dankin Street
BEAUFORT WEST
6970

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

Nedbank, Beaufort West

ATTORNEYS

Crawford Attorneys, Beaufort West
Van Niekerk Attorneys, Beaufort West

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1997)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
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)
Remuneration of Public Office Bearers Act (Act no 20 of 1998)
SALSC Leave Regulations
Skills Development Levies Act (Act no 9 of 1998)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1968)
Value Added Tax Act
Water Services Act (Act no 106 of 1997)

MEMBERS OF THE BEAUFORT WES LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	D.E. Welgemoed
2	O. Haervoer
3	L. Basson
4	S.M. Mokoane
5	A.M. Kilezi
6	E. Wentzel
7	J.J. vd Linde
Proportional	L. Dayce
Proportional	T.Prince
Proportional	E. Lawrence
Proportional	N. Constable
Proportional	A.M. Slabbert
Proportional	Z.J.D. Lambert



BEAUFORT WES LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 110 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 Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

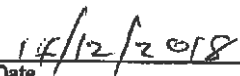
The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

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

The annual financial statements were prepared on the going concern basis.



Mr. K. Haarhoff
Municipal Manager

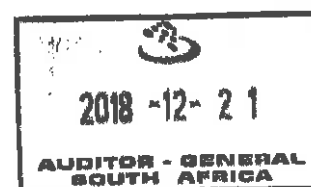


Date



BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
ASSETS			
Non-Current Assets		529 958 377	477 129 357
Property, Plant and Equipment	2	514 339 139	461 002 878
Investment Property	3	7 247 207	7 818 934
Intangible Assets	4	400 060	514 895
Capitalised restoration cost	5	51 969	249 416
Heritage Assets	6	5 225 000	5 225 000
Non-Current Receivables from Exchange Transactions	7	1 861 932	1 501 381
Non-Current Receivables from Non-Exchange Transactions	8	833 070	816 852
Current Assets		74 843 898	54 685 417
Inventory	10	3 571 385	3 329 622
Receivables from Exchange Transactions	11	16 362 348	17 263 873
Receivables from Non-exchange Transactions	12	29 180 386	20 382 218
Unpaid Transfers and Subsidies	21	12 935	6 008
Operating Lease Asset	9	25 439	58 988
Taxes	22.3	12 260 539	6 065 549
Current Portion of Non-Current Receivables	7 & 8	784 697	653 553
Cash and Cash Equivalents	13.1	12 646 169	6 925 606
Total Assets		604 802 275	531 814 774
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		60 199 178	63 473 661
Long-term Borrowings	14	9 016 518	12 748 349
Non-current Provisions	15	22 062 433	21 377 863
Non-current Employee Benefits	16	29 016 143	28 823 365
Non-current Trade and Other Payables from Exchange Transactions	20	104 084	524 084
Current Liabilities		85 878 202	65 201 423
Consumer Deposits	17	1 537 467	1 608 232
Provisions	18	5 714 119	5 608 863
Current Employee Benefits	19	9 725 180	9 508 287
Trade and Other Payables from Exchange Transactions	20	53 535 180	30 585 928
Unspent Transfers and Subsidies	21	3 379 953	13 726 439
Cash and Cash Equivalents	13.2	7 792 004	288 119
Current Portion of Long-term Borrowings	14	4 194 300	3 875 555
Total Liabilities		146 077 380	128 675 084
Net Assets		458 724 895	403 139 689
Capital Replacement Reserve	24	-	3 245 448
Housing Development Fund	24	3 789 481	3 781 401
Self Insurance Reserve	24	699 274	626 625
Accumulated Surplus		454 236 140	395 486 215
Total Net Assets and Liabilities		604 802 275	531 814 774



BEAUFORT WES LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		236,015,808	204,617,963
Taxation Revenue		33,875,648	28,321,863
Property Rates	25	33,875,648	28,321,863
Transfer Revenue		154,156,237	108,579,792
Government Grants and Subsidies - Capital	26	77,717,305	44,614,123
Government Grants and Subsidies - Operating	26	76,283,700	62,565,670
Contributed Property, Plant and Equipment	27	155,232	1,400,000
Other Revenue		47,983,924	67,716,307
Actuarial Gains	16	2,474,041	3,409,367
Fines, Penalties and Forfeits		44,641,921	63,676,406
Interest Earned - Non-exchange Transactions		825,998	592,667
Licences and Permits	28	41,964	37,868
Revenue from Exchange Transactions		114,768,137	112,499,572
Service Charges	29	107,422,169	102,538,070
Sales of Goods and Rendering of Services	30	694,306	2,230,267
Rental from Fixed Assets	31	1,135,436	1,206,073
Interest Earned - External Investments	32	760,817	1,338,736
Interest Earned - Exchange Transactions	33	2,821,683	2,676,899
Licences and Permits	28	287,763	329,646
Operational Revenue	34	1,645,964	2,179,881
Total Revenue		350,783,946	317,117,535
EXPENDITURE			
Employee related costs	35	94,429,157	87,718,184
Remuneration of Councillors	36	6,068,438	4,950,588
Bad Debts Written Off		5,632,236	4,331,728
Contracted Services	37	38,897,166	36,440,984
Depreciation and Amortisation	38	24,463,203	16,031,215
Actuarial Losses	16	209,326	-
Finance Costs	39	6,265,751	6,590,116
Bulk Purchases	40	59,022,547	61,512,102
Inventory Consumed		3,337,835	2,445,456
Operating Leases		236,230	192,551
Transfers and Subsidies	41	223,385	272,249
Operational Costs	42	16,927,075	16,587,982
Total Expenditure		255,712,348	237,073,155
Operating Surplus/(Deficit) for the Year		95,071,598	80,044,381
Reversal of Impairment Loss/(Impairment Loss) on Receivables	43	(37,655,717)	(51,240,240)
Gains/(Loss) on Sale of Fixed Assets	44	(1,830,605)	(1,358,255)
NET SURPLUS/(DEFICIT) FOR THE YEAR		55,585,276	27,445,886



BEAUFORT WES LOCAL MUNICIPALITY

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

	Capital Replacement Reserve	Housing Development Fund	Self Insurance Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 July 2016	3 078 397	3 903 397	2 270	399 573 304	406 557 368
Correction of Error - note 48.2	-	-	-	5 467	5 467
Correction of Error - note 48.1	-	-	-	460 653	460 653
Correction of Error - note 48.1	-	-	-	287 919	287 919
Correction of Error - note 48.1	-	-	-	(32 727 235)	(32 727 235)
Correction of Error - note 48.1	-	-	-	1 109 586	1 109 586
Restated balance	3 078 397	3 903 397	2 270	368 709 695	375 693 759
Net Surplus/(Deficit) for the year	-	-	-	27 445 859	27 445 859
Net Surplus/(Deficit) previously reported	-	-	-	27 570 572	27 570 572
Effects of Correction of Errors - note 48.1	-	-	-	117 698	117 698
Effects of Correction of Errors - note 48.2	-	-	-	(3 441)	(3 441)
Effects of Correction of Errors - note 48.3	-	-	-	(166 714)	(166 714)
Effects of Correction of Errors - note 48.4	-	-	-	(72 256)	(72 256)
Transfer to/from CRR	2 886 789	-	-	(2 886 789)	-
Property, Plant and Equipment purchased	(2 719 735)	-	-	2 719 735	-
Contribution to insurance reserve	-	-	759 036	(759 036)	-
Insurance claim processed	-	-	(134 682)	134 682	-
Transfer to Housing Development Fund	-	(121 995)	-	121 995	-
Restated balance	3 245 451	3 781 402	626 624	395 486 141	403 139 618
Net Surplus/(Deficit) for the year	-	-	-	55 585 276	55 585 276
Transfer to/from CRR	3 539 867	-	-	(3 539 867)	-
Property, Plant and Equipment purchased	(6 863 352)	-	-	6 863 352	-
Contribution to insurance reserve	-	-	709 551	(709 551)	-
Insurance claim processed	-	-	(646 846)	646 846	-
Interest re-allocated to funds	78 036	8 079	9 945	(98 060)	-
Rounding	(3)	-	-	4	1
Balance at 30 June 2018	-	3 789 481	699 274	454 236 140	458 724 895



BEAUFORT WES LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and others		138 392 215	133 243 806
Government		143 647 592	118 996 480
Interest		4 408 497	4 015 633
Cash payments			
Suppliers and Employees		(201 518 354)	(209 726 676)
Finance Charges		(3 448 868)	(6 590 114)
Transfers and Grants		-	(98 140)
Net Cash from Operating Activities	49	81 481 082	39 840 989
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(78 914 109)	(51 730 224)
Purchase of Investment Properties		-	141 585
Purchase of Intangible Assets		(11 930)	(231 340)
Decrease/(Increase) in Non-Current Debtors		-	(470 397)
Decrease/(Increase) in Other Non-Current Receivables		(376 770)	-
Net Cash from Investing Activities		(79 302 809)	(52 290 376)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term Loans (new loans raised)		-	6 879 018
Repayment of borrowings		(3 961 595)	(4 360 724)
Net Cash from Financing Activities		(3 961 595)	2 518 294
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 783 322)	(9 931 093)
Cash and Cash Equivalents at the beginning of the year		6 637 487	16 568 581
Cash and Cash Equivalents at the end of the year	50	4 854 165	6 637 487
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 783 322)	(9 931 094)



BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

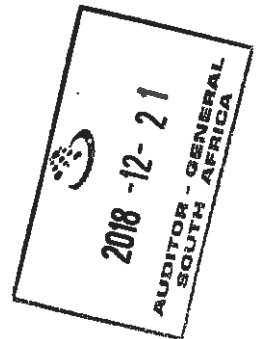
Notes	Original Budget	Budget Adjustments		Final Adjustment Budget	Shifting of Funds		Virement (i.e. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
		(i.e. s28 and s31 of the MFMA)	(i.e. s31 of the MFMA)		(i.e. s31 of the MFMA)	(i.e. s31 of the MFMA)					
	R	R	R	R	R	R	R	R	R	%	
ASSETS											
Current Assets											
Cash	5 391 763	(4 000 000)	1 391 763	1 391 763	1 391 763	1 391 763	1 391 763	363 086	73.91%	Nett of all Cash and Cash Equivalents only 7%	
Call Investment Deposits	3 807 092	-	3 807 092	3 807 092	3 807 092	3 807 092	3 807 092	12 283 063	222.64%	deviation.	
Consumer Debtors	17 863 608	1 859 372	19 521 980	19 521 980	19 521 980	19 521 980	19 521 980	16 362 348	-16.18%	Increase in provision for impairment.	
Other Debtors	21 802 912	(3 474 713)	18 328 199	18 328 199	18 328 199	18 328 199	18 328 199	41 479 300	126.31%	Increase in provision for impairment on fines	
Inventory	3 728 621	-	3 728 621	3 728 621	3 728 621	3 728 621	3 728 621	3 571 385	-4.22%		
Total Current Assets	52 393 996	(5 616 341)	46 777 655	46 777 655	46 777 655	46 777 655	46 777 655	74 843 898	60.00%		
Non-Current Assets											
Long-term Receivables	1 737 836	-	1 737 836	1 737 836	1 737 836	1 737 836	1 737 836	2 686 003	55.08%	Increase in arrangements	
Investment Property	8 149 775	(330 841)	7 818 934	7 818 934	7 818 934	7 818 934	7 818 934	7 247 207	-7.31%		
Property, Plant and Equipment	454 405 157	72 455 649	526 860 806	526 860 806	526 860 806	526 860 806	526 860 806	514 339 139	-2.38%		
Intangible Assets	470 701	44 194	514 895	514 895	514 895	514 895	514 895	400 060	-22.30%		
Other Non-Current Assets	5 395 735	-	5 395 735	5 395 735	5 395 735	5 395 735	5 395 735	5 276 969	-2.20%		
Total Non-Current Assets	470 159 204	72 169 002	542 328 206	542 328 206	542 328 206	542 328 206	542 328 206	529 958 377	-2.28%		
TOTAL ASSETS	522 553 200	66 532 661	689 105 861	689 105 861	689 105 861	689 105 861	689 105 861	604 802 275	2.66%		
LIABILITIES											
Current Liabilities											
Bank Overdraft	-	-	-	-	-	-	-	-	7 792 004	0.00%	Nett of all Cash and Cash Equivalents only 7% deviation.
Borrowing	2 985 579	-	2 985 579	2 985 579	2 985 579	2 985 579	2 985 579	4 194 300	40.49%	Incorrect budget calculation	
Consumer Deposits	1 352 897	-	1 352 897	1 352 897	1 352 897	1 352 897	1 352 897	1 537 467	13.64%	More deposits received	
Trade and Other Payables	32 545 723	(7 934 354)	24 611 369	24 611 369	24 611 369	24 611 369	24 611 369	56 915 133	131.26%	Cash flow	
Provisions	8 401 419	-	8 401 419	8 401 419	8 401 419	8 401 419	8 401 419	15 439 298	83.77%	Incorrect budget calculation, not including current portion of landfill sites.	
Total Current Liabilities	45 285 618	(7 934 354)	37 351 264	37 351 264	37 351 264	37 351 264	37 351 264	85 878 202	129.92%		
Non-Current Liabilities											
Borrowing	11 120 033	-	11 120 033	11 120 033	11 120 033	11 120 033	11 120 033	9 016 518	-18.92%	Incorrect budget calculation	
Provisions	55 170 736	-	55 170 736	55 170 736	55 170 736	55 170 736	55 170 736	51 182 660	-7.23%	Incorrect budget calculation, including current portion of landfill sites.	
Total Non-Current Liabilities	66 290 769	-	66 290 769	66 290 769	66 290 769	66 290 769	66 290 769	60 199 178	-9.19%		
TOTAL LIABILITIES	111 576 387	(7 934 354)	103 642 033	103 642 033	103 642 033	103 642 033	103 642 033	146 077 380	40.94%		
NET ASSETS											
Accumulated Surplus/(Deficit)	407 050 435	74 487 015	481 537 450	481 537 450	481 537 450	481 537 450	481 537 450	454 236 140	-6.67%	Nett of listed reasons	
Reserves	3 926 378	-	3 926 378	3 926 378	3 926 378	3 926 378	3 926 378	4 488 754	14.32%	Incorrect budget calculation	
TOTAL NET ASSETS	410 976 813	74 487 015	485 463 828	485 463 828	485 463 828	485 463 828	485 463 828	458 724 895	-5.51%		

AUDITOR - GENERAL
SOUTH AFRICA

2018
 21

BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget or 10%	Explanations for material variances of R1m or 10%
REVENUE									
Property Rates	35 415 928	(669 800)	34 747 128			34 747 128	33 875 648	-2.51%	
Service Charges - Electricity Revenue	74 602 000	(739 457)	73 862 543			73 862 543	67 070 824	-9.20%	
Service Charges - Water Revenue	19 441 690	78 070	19 519 760			19 519 760	18 787 685	-3.75%	
Service Charges - Sanitation Revenue	14 531 000	(17 952)	14 513 048			14 513 048	14 150 841	-2.50%	
Service Charges - Refuse Revenue	7 490 000	(1 800)	7 488 200			7 488 200	7 412 818	-1.01%	
Rental of Facilities and Equipment	1 363 461	(96 690)	1 266 771			1 266 771	1 135 436	-10.37%	Decrease in rentals
Interest Earned - External Investments	1 260 000		1 260 000			1 260 000	760 817	-39.62%	Cash used due to cash flow
Interest Earned - Outstanding Debtors	2 615 500	100 000	2 715 500			2 715 500	3 647 681	34.33%	Increase in outstanding debtors
Fines	44 785 160	(31 462 260)	13 322 900			13 322 900	44 641 921	235.08%	Incorrect budget adjustment
Licences and Permits	595 450	20 000	615 450			615 450	329 726	-46.43%	
Agency Services	680 000	70 000	750 000			750 000	741 417	-1.14%	
Transfers Recognised - Operational	91 621 000	(11 030 670)	80 590 330			80 590 330	76 283 700	-5.34%	Roll over declined R11,8m by National Treasury
Other Revenue	1 326 266	13 468 764	14 795 030			14 785 030	4 072 895	-72.45%	mSCOA reclassification
Total Revenue (excluding capital transfers and contributions)	295 728 455	(30 291 795)	265 436 660	-	-	265 436 660	272 911 409	2,82%	
EXPENDITURE									
Employee Related Costs	93 514 269	(2 221 968)	91 292 301			91 292 301	94 429 157	3.44%	
Remuneration of Councillors	5 385 243	125 161	5 510 404			5 510 404	6 068 438	10.13%	Double payment to Executive council
Debt Impairment	35 285 005	(15 295 140)	19 989 865			19 989 865	37 655 717	88.37%	Incorrect budget adjustment
Depreciation and Asset Impairment	16 935 231	529 998	17 465 229			17 465 229	24 463 203	40.07%	Useful life adjustment
Finance Charges	1 713 303	1 531 382	3 244 685			3 244 685	6 265 751	93.11%	Incorrect budget calculation
Bulk Purchases	68 085 000	(605 000)	67 280 000			67 280 000	59 022 647	-12.27%	Slow progress on housing project
Other Materials	27 949 750	(3 221 566)	24 728 184			24 728 184	3 574 065	-85.55%	mSCOA reclassification
Contracted Services	3 594 942	4 247 058	7 842 000			7 842 000	38 697 166	396.01%	mSCOA reclassification
Transfers and Grants	100 000	(20 000)	80 000			80 000	223 385	179.23%	
Other Expenditure	51 241 497	860 832	52 102 329			52 102 329	22 768 637	-96.49%	mSCOA reclassification
Loss on Disposal of PPE							1 630 605	0.00%	Incorrect budget calculation
Total Expenditure	303 804 240	(14 269 243)	289 534 997	-	-	289 534 997	295 198 670	1,96%	
Surplus/(Deficit)	(8 075 785)	(16 022 552)	(24 098 337)	-	-	(24 098 337)	(22 287 262)	-7,52%	
Transfers Recognised - Capital	14 640 000	71 085 538	85 725 538			85 725 538	77 717 305	-9.34%	Roll over declined R11,8m by National Treasury
Contributed Assets							155 232	0.00%	
Surplus/(Deficit) for the year	6 564 215	55 062 986	61 627 201	-	-	61 627 201	55 886 276	-9,80%	



BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

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	Explanations for material variances of R1m or 10%
							2018	R		
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Taxation	33 291 912	-	33 291 912	-	-	33 291 912	138 392 215	138 392 215	-16.87%	Incorrect budget adjustment on fines
Service Charges	108 943 879	(1 877 459)	107 066 720	-	-	107 066 720	-	-	-	
Other Revenue	21 141 337	4 978 193	26 119 520	-	-	26 119 520	-	-	-	
Government - Operating	91 621 000	(12 185 750)	79 435 250	-	-	79 435 250	143 647 582	143 647 582	-8.96%	Roll over declined R11,8m by National Treasury
Government - Capital	14 640 000	63 706 784	78 346 784	-	-	78 346 784	-	-	-	
Interest	3 793 692	-	3 793 692	-	-	3 793 692	4 408 487	4 408 487	16.21%	Increase in outstanding debtors
Dividends	-	-	-	-	-	-	-	-	0.00%	
Payments										
Suppliers and Employees	(247 926 889)	13 120 282	(234 806 597)	-	-	(234 806 597)	(201 518 354)	(201 518 354)	-14.18%	Incorrect budget adjustment on fine impairment
Finance costs	(1 713 303)	(1 531 382)	(3 244 685)	-	-	(3 244 685)	(3 448 868)	(3 448 868)	8.29%	
Transfers and Grants	(100 000)	20 000	(80 000)	-	-	(80 000)	-	-	-100.00%	
Net Cash from/(used) Operating Activities	23 691 628	66 230 968	89 922 596	-	-	89 922 596	81 481 082	81 481 082	-9.39%	
CASH FLOW FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	0.00%	
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-	0.00%	
Decrease/(Increase) in Other Non-Current Receivables	(110 000)	-	(110 000)	-	-	(110 000)	(376 770)	(376 770)	242.52%	
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-	0.00%	
Payments										
Capital Assets	(15 870 000)	(72 455 649)	(88 325 649)	-	-	(88 325 649)	(78 926 040)	(78 926 040)	-10.64%	
Net Cash from/(used) Investing Activities	(15 980 000)	(72 455 649)	(88 435 649)	-	-	(88 435 649)	(79 302 809)	(79 302 809)	-10.33%	
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts										
Short Term Loans	-	-	-	-	-	-	-	-	0.00%	
Borrowing long term/re-financing	-	-	-	-	-	-	-	-	0.00%	
Increase/(Decrease) in Consumer Deposits	60 000	-	60 000	-	-	60 000	-	-	-100.00%	
Payments										
Repayment of Borrowing	(2 985 578)	-	(2 985 578)	-	-	(2 985 578)	(3 961 595)	(3 961 595)	32.69%	Incorrect budget calculation
Net Cash from/(used) Financing Activities	(2 925 578)	-	(2 925 578)	-	-	(2 925 578)	(3 961 595)	(3 961 595)	35.41%	
NET INCREASE/(DECREASE) IN CASH HELD	4 786 049	(6 224 681)	(1 438 632)	-	-	(1 438 632)	(1 783 322)	(1 783 322)	23.95%	Nett of listed reasons
Cash and Cash Equivalents at the year begin:	4 412 806	2 224 681	6 637 487	-	-	6 637 487	6 637 487	6 637 487	0.00%	
Cash and Cash Equivalents at the year end:	9 198 855	(4 000 000)	5 198 855	-	-	5 198 855	4 854 165	4 854 165	-5.63%	



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the 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 (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 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.

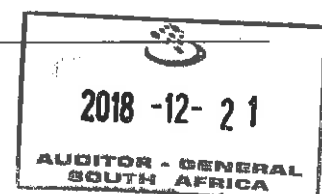
The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

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.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.3. GOING CONCERN ASSUMPTION

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

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.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 44 of the annual financial statements.

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 is 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.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 in the notes to the annual financial statements.

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 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

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 some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
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 no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
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>	1 April 2019



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

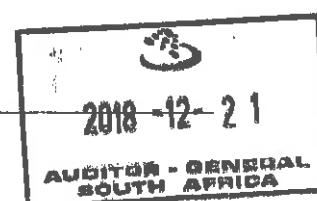
	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent 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>	1 April 2019
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
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 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 such transactions or events are expected in the foreseeable future.</p>	Unknown

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 or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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 derecognition 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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 grants 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.
- 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

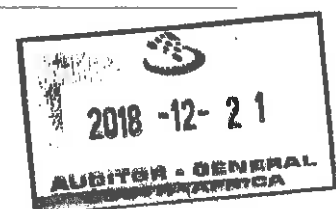
Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions 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. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution 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 public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. 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.

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

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.15. 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.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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 70% as contribution and the remaining 30% 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 employee related 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 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, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(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, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee related 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, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(e) 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, to a maximum of 48 days, 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, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) 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.

(g) Performance Bonuses

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

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. 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 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.

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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.16.2. 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.

1.16.3. 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 in years:

<u>Infrastructure</u>	
Roads and Paving	60
Pedestrian Malls	30
Electricity	60
Water	60
Sanitation	60
Sewerage	60
Housing	95
<u>Community</u>	
Buildings	95
Recreation centres	95
Security	5
Halls	100
Libraries	95
Parks and gardens	20
Other assets	20



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

<u>Other</u>	
Buildings	100
Specialist vehicles	15
Other vehicles	16
Office equipment	30
Furniture and fittings	30
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	15
Other plant and Equipment	30
Landfill sites	15
Quarries	25
Emergency equipment	10
Computer equipment	15
<u>Finance lease assets</u>	
Office equipment	5
Other assets	5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

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.

1.16.4. 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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.16.5. 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 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1. 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

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.17.2. 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 useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3. 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	10
Computer Software Licences	10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4. 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.

1.17.5. 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. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.18. INVESTMENT PROPERTY

1.18.1. 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 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.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

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.

1.18.2. 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.

1.18.3. 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

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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	100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

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

1.18.5. Application of deemed cost (Directive 7)

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

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash generating assets

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

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

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

- (a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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;
- 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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.19.2. 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.

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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.
- *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, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

1.20. INVENTORIES

1.20.1. Initial Recognition

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

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

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, land, materials and supplies, water and work-in-progress, 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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In general, the basis of allocating cost to inventory items is the weighted average method.

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

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

1.21. FINANCIAL INSTRUMENTS

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

1.21.1. Initial Recognition

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

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 at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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.

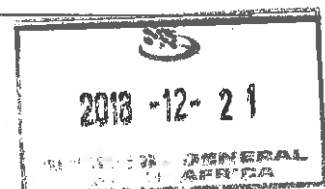
1.21.2.2. Payables and Annuity Loans

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 carried at amortised cost.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 can arise from both exchange and non-exchange transactions.

1.22.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. 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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:
 - 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.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

recognised by the Municipality when the receivable meets the definition of an asset.

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.

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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:

- 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.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the 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:

- 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



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - 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).



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only 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.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.25. 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.

1.26. 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.

1.27. 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.

1.28. 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.

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.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.29. 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, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities 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 12 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:

- 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.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 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.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

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.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. 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.

1.32. 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.

1.33. VALUE ADDED TAX (VAT)

1.33.1 Current VAT assets and liabilities

Current VAT for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.



BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Current VAT liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the VAT authorities, using the tax rates and VAT laws that have been enacted or substantively enacted by the reporting date.

1.33.2 Deferred VAT assets and liabilities

Deferred VAT liability is recognised for all taxable temporary differences, except to the extent that the deferred VAT liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (VAT loss).

A deferred VAT asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred VAT asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused VAT to the extent that it is probable that future taxable profit will be available against which the unused VAT losses.

Deferred VAT assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and VAT laws) that have been enacted or substantively enacted by the reporting date.

1.34 HERITAGE ASSETS

1.34.1 Initial Recognition

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

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

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

1.34.2 Subsequent Measurement – Cost Model

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

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.34.3 Depreciation and Impairment

Heritage assets are not depreciated

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

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 an impairment is recognised in the Statement of Financial Performance.

1.34.4 De-recognition

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

1.34.5 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.



BEAUFORT WEST MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.1 PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2018

	Cost/Revaluation			Accumulated Impairment			Accumulated Depreciation			Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation		Closing Balance
Infrastructure	91 969 689	-	5 739 130	-	-	97 698 720	-	-	2 932 229	15 643 966	82 654 733
Electricity Network	694 384	-	-	-	-	694 384	-	-	27 764	241 587	452 797
Refuse Network	113 140 737	-	16 284 173	-	-	129 424 910	-	-	3 689 732	32 251 543	97 163 367
Road Network	109 164 395	-	8 897 443	-	-	118 061 838	-	-	2 517 400	14 443 787	103 518 051
Sanitation Network	40 514 457	-	35 637 016	-	-	76 151 473	-	-	1 453 262	14 243 583	26 270 524
Stormwater Network	59 978 242	-	65 847 762	-	-	125 826 004	-	-	2 266 366	21 224 353	74 399 576
Water Network	415 451 804	-	-	-	-	415 451 804	-	-	12 246 744	96 059 196	317 145 964
Community Assets	17 200	-	-	-	-	17 200	-	-	167	1 886	15 314
Cemeteries/Crematoria	9 196 783	-	-	-	(948 000)	8 248 783	349 709	-	259 959	2 058 738	5 618 565
Community centres	557 477	-	-	-	-	557 477	24 470	-	3 687	53 870	472 137
Libraries	6 724 306	-	10 353 898	-	-	17 078 204	1 039 921	-	178 803	1 233 533	19 637 840
Recreation sites	18 485 758	-	10 353 898	-	(848 000)	28 091 656	357 801	-	445 562	3 330 530	21 763 975
Other Assets	112 961 340	-	639 243	-	(218 750)	113 381 833	9 727 705	-	627 265	3 712 884	99 221 755
Land	43 362 260	-	-	-	-	43 362 260	8 156 620	-	-	-	28 246 140
Operational Buildings	69 599 080	-	639 243	-	(218 750)	70 219 553	1 531 085	-	627 265	3 712 884	64 875 575
Machinery and Equipment	4 192 009	-	144 053	-	(1 001 447)	3 334 615	-	-	392 193	1 788 781	1 546 834
Furniture and Office Equipment	3 648 666	-	220 046	-	(677 438)	3 191 274	-	-	334 097	1 770 948	1 420 226
Computer Equipment	4 107 412	-	305 859	-	(943 638)	3 769 633	-	-	434 439	1 991 687	1 807 946
Transport Assets	21 960 052	-	1 228 526	-	(2 562 352)	20 626 226	-	-	795 199	1 167 478	19 458 748
Leases	839 244	-	-	-	(281 313)	557 931	-	-	146 705	386 248	170 683
Office Equipment (Lease)	7 401 092	-	548 509	-	(509 280)	7 440 321	-	-	1 468 447	2 598 732	4 841 589
Vehicles (Lease)	8 239 336	-	548 509	-	(785 593)	7 999 252	-	-	1 615 152	2 992 580	5 015 272
Total	575 158 310	-	79 617 816	-	(4 418 695)	650 356 431	10 285 506	-	17 160 735	118 461 570	514 339 106


2018 -12- 21
AUDITOR - GENERAL
SOUTH AFRICA

BEAUFORT WEST MUNICIPALITY

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

2. PROPERTY, PLANT AND EQUIPMENT
2.2 30 JUNE 2017

	Cost/Revaluation			Accumulated Impairment			Accumulated Depreciation			Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation	
Infrastructure										
Electricity Network	90 326 752	(3 442 219)	7 479 223	(2 405 167)	-	91 959 589	11 455 417	(39 890)	2 195 231	13 251 757
Refuse Network	1 521 135	(827 251)	-	-	-	694 384	135 437	(26 616)	3 549 752	28 173 823
Road Network	129 487 155	(21 570 258)	7 489 139	(2 265 301)	-	113 144 737	25 975 933	(614 860)	11 836 377	41 829 337
Sanitation Network	81 295 053	(4 170 182)	18 132 349	13 900 171	-	109 164 395	10 099 991	-	1 463 262	12 799 889
Stormwater Network	40 514 456	-	-	-	-	40 514 456	11 337 407	(105 698)	2 176 546	18 958 027
Water Network	62 695 058	(2 716 626)	-	-	-	59 978 242	16 887 179	-	-	41 020 215
	405 843 630	(32 727 235)	33 100 705	9 234 702	-	415 451 803	75 782 393	(1 227 284)	11 157 346	88 712 456
Community Assets										
Cemeteries	17 200	-	-	-	-	17 200	1 533	-	167	1 700
Community centres	9 196 783	-	-	-	-	9 196 783	1 631 002	-	259 959	9 956 113
Libraries	557 477	-	-	-	-	557 477	21 470	-	5 897	476 034
Recreation sites	6 724 308	-	-	-	-	6 724 308	186 621	-	163 094	1 053 949
	18 495 768	-	-	-	-	18 495 768	557 600	-	429 116	3 004 583
Other Assets										
Other Land	111 063 428	-	1 921 911	-	-	112 985 340	2 121 217	1 264	797 002	2 909 483
Operational Buildings	43 892 280	-	1 921 911	-	-	45 814 191	6 196 620	-	-	35 185 890
	67 577 148	-	-	-	-	67 577 148	1 531 085	1 264	797 002	2 909 483
Machinery and Equipment	3 975 022	170 956	46 431	-	-	4 192 409	1 769 448	-	200 975	1 959 429
Furniture and Office Equipment	3 646 855	33 919	86 693	-	-	3 767 467	1 515 671	-	408 860	1 924 530
Computer Equipment	3 945 200	38 457	193 755	-	-	4 177 412	1 034 955	619 884	329 820	1 983 699
Transport Assets	8 924 034	44 594	1 736 135	-	(673 647)	10 031 116	4 411 588	-	294 955	4 208 351
	20 381 112	287 919	1 974 673	-	(673 647)	21 969 057	8 130 695	619 884	1 223 610	10 085 980
Leases										
Computer Equipment	-	-	-	-	-	-	-	-	-	-
Office Equipment (Lease)	1 153 280	-	119 706	-	(434 742)	838 244	696 953	(43 091)	200 630	620 856
Machinery and Equipment	4 869 063	-	6 778 521	-	(3 845 512)	7 401 082	2 797 865	(117 493)	1 675 194	1 636 585
	5 621 343	-	6 898 227	-	(4 280 254)	8 239 316	3 494 818	(189 494)	1 675 194	2 197 421
Total	559 421 302	(32 438 315)	43 895 622	9 234 702	(4 953 901)	575 156 309	10 285 505	(766 631)	15 473 198	103 869 922
										481 002 883



BEAUFORT WEST MUNICIPALITY

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

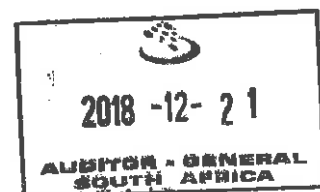
	2018	2017
	R	R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	5 900 275	13 906 171
Roads	161 145	-
Electricity	5 739 130	-
Water Supply	-	587 545
Sanitation	-	13 318 626
Community Assets		258 488
Total Property, Plant and Equipment under construction	5 900 275	14 164 640
2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	24 122 719	14 309 053
Total Repairs and Maintenance	24 122 719	14 309 053
2.5 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	609 541	-
Surplus/(Deficit)	609 541	-
2.6 Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Other	6 949 480	-
Total Impairment Losses	6 949 480	-
2.7 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	40 721 644	47 252 346
Infrastructure	40 721 644	34 488 155
Community	-	11 977 655
Land and Buildings	-	786 536
Total	40 721 644	47 252 346
This expenditure will be financed from:		
Government Grants	40 721 644	47 252 346
Total	40 721 644	47 252 346
3. INVESTMENT PROPERTY	2018	2017
	R	R
3.1 Net Carrying amount at 1 July	7 818 934	8 149 775
Cost/Valuation	11 075 824	11 222 424
Accumulated Depreciation	(2 815 674)	(2 606 067)
Accumulated Impairment Loss	(441 216)	(466 582)
Disposals - Cost	-	(146 600)
Disposals - Accumulated depreciation	-	43 928
Disposals - Accumulated impairment	-	25 367
Depreciation for the year	(232 243)	(253 536)
Impairment loss	(397 184)	-
Reversal of Impairment loss	57 700	-
Net Carrying amount at 30 June	7 247 207	7 818 934
Cost/Valuation	11 075 824	11 075 824
Accumulated Depreciation	(3 047 917)	(2 815 674)
Accumulated Impairment Loss	(780 700)	(441 216)



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property		
Sarlam Building	101 464	169 284
3.3 Operating Expenditure Incurred on properties:		
Repairs and Maintenance		
Revenue Generating	26 976	18 440
Improved Property	26 976	18 440
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Repairs and Maintenance	26 976	18 440
3.4 Investment Property which is in the process of being constructed or developed:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
3.5 Investment Property that is taking a significantly longer period of time to complete than expected:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
3.6 Investment Property where construction or development has been halted:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
The cost model in terms of GRAP 16 is being applied on Investment Property.		
There are no assets pledged as security for liabilities		
Cost at implementation of GRAP 16 was determined by valuation roll of 1 July 2009. Impairment was calculated based on valuation roll of 1 July 2018.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Estimate Fair Value of Investment Property at 30 June	13 262 000	11 609 924



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
4. INTANGIBLE ASSETS		
Computer System & Software		
4.1 Net Carrying amount at 1 July	514 895	470 701
Cost	1 724 419	1 493 079
Accumulated Amortisation	(1 209 524)	(1 022 378)
Additions	11 930	231 340
Amortisation	(126 766)	(187 146)
Net Carrying amount at 30 June	400 060	514 895
Cost	1 736 349	1 724 419
Accumulated Amortisation	(1 336 290)	(1 209 524)
4.2 Research and Development Costs:		
Research Expenditure	-	-
Development Expenditure	-	-
Total Research and Development Expenditure	-	-
4.3 Intangible Assets which is in the process of being constructed or developed:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
4.4 Intangible Assets that is taking a significantly longer period of time to complete than expected:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
4.5 Intangible Assets where construction or development has been halted:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
<i>Document reasons for halting construction or development and indicate whether any impairment losses have been recognised in relation to these assets.</i>		
Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:		
Computer software	-	-
Accumulated amortisation on computer software	-	-
4.6 Material Intangible Assets included in the carrying value:		
No intangible asset were asessed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
5. CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	249 416	205 747
Cost	4 201 754	4 174 500
Accumulated Depreciation	(3 695 970)	(3 683 165)
Accumulated Impairments	(256 368)	(285 588)
Additions/(Change in estimate)	(159 709)	27 254
Depreciation for the year	(22 327)	(12 805)
Reversal of Impairment/(Impairment)	(15 411)	29 220
Net Carrying amount at 30 June	51 889	249 416
Cost	4 042 045	4 201 754
Accumulated Depreciation	(3 718 287)	(3 695 970)
Accumulated Impairments	(271 779)	(256 368)

6. HERITAGE ASSETS		
Net Carrying amount at 1 July	5 225 000	5 225 000
Cost	5 225 000	5 225 000
Net Carrying amount at 30 June	5 225 000	5 225 000
Cost	5 225 000	5 225 000

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

7. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	2 480 243	2 004 608
Less: Current portion transferred to Receivables from Exchange Transactions	(618 311)	(503 227)
Total Non-Current Receivables from Exchange Transactions	1 861 932	1 501 381

ARRANGEMENTS

Municipal account holders can make arrangements with the Municipality, agreeing to pay the outstanding accounts over a predetermined period at a fixed monthly instalment. When a monthly instalment is not paid, the account is transferred back to Trade receivables where it will be included in the calculation of Provision for Impairment.

	2018 R	2017 R
8. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Housing Selling Schemes - At amortised cost	461 643	461 643
Receivables with repay arrangements - At amortised cost	537 813	505 535
	999 456	967 178
Less: Current portion transferred to Receivables from Non-Exchange Transactions	(166 386)	(150 326)
Total Non-Current Receivables from Non-Exchange Transactions	833 070	816 852

HOUSING SELLING SCHEME

The outstanding amount relates to prior years and is still collectable. General public were entitled to housing loans which attract interest at 13,5% per annum and which are repayable over a maximum period of 30 years. These loans are repayable in the year 2026.

ARRANGEMENTS

Municipal account holders can make arrangements with the Municipality, agreeing to pay the outstanding accounts over a predetermined period at a fixed monthly instalment. When a monthly instalment is not paid, the account is transferred back to Trade receivables where it will be included in the calculation of Provision for Impairment.



BEAUFORT WEST MUNICIPALITY

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

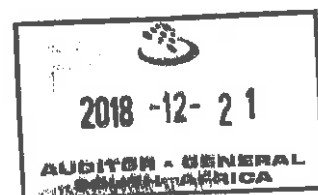
	2018 R	2017 R
9. OPERATING LEASE ARRANGEMENTS		
9.1 The Municipality as Lessor		
Operating Lease Asset	25 439	58 988
<u>Disclosed as follows:</u>		
Current Operating Lease Asset	25 439	58 988
	<u>25 439</u>	<u>58 988</u>
Reconciliation		
Balance at the beginning of the year	58 988	53 002
Correction of Error - Note 48.2	-	2 026
Movement during the year	(33 549)	3 960
Balance at the end of the year	<u>25 439</u>	<u>58 988</u>
Beaufort West Municipality is leasing land to rate payers for periods of 24 to 119 months with various escalations per year. The leases are in respect of land being leased out for a period until 2019.		
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease income as follows:		
Up to 1 Year	546 858	851 721
1 to 5 Years	233 508	773 931
More than 5 Years	163 796	170 230
Total Operating Lease Arrangements	<u>944 162</u>	<u>1 795 882</u>
The lease income was determined from contracts that have a specific conditional income and does not included lease income which has a undetermined conditional income.		
10. INVENTORY		
Consumables - Stationary and material - At cost	3 513 997	3 202 306
Water - at cost	57 388	127 316
Total Inventory	<u>3 571 385</u>	<u>3 329 622</u>
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
No inventories were pledged as security for liabilities.		
11. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	11 295 942	12 151 878
Water	9 057 566	7 535 807
Property Rentals	63 322	213 305
Waste Management	8 216 936	7 395 899
Waste Water Management	14 089 888	11 583 712
Total Service Receivables	<u>42 723 653</u>	<u>38 880 601</u>
Less: Provision for Debt Impairment	(26 427 348)	(23 853 820)
Net Service Receivables	<u>16 296 305</u>	<u>15 026 781</u>
Other Arrears	34 846 799	30 053 813
Total: Receivables from exchange transactions (before provision)	<u>34 846 799</u>	<u>30 053 813</u>
Less: Provision for Debt Impairment	<u>(34 780 757)</u>	<u>(27 816 720)</u>
Total: Receivables from exchange transactions (after provision)	<u>86 042</u>	<u>2 237 093</u>
Total Net Receivables from Exchange Transactions	<u>16 362 347</u>	<u>17 263 873</u>
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	8 619 605	9 163 571
31 - 60 Days	321 074	403 368
61 - 90 Days	106 868	74 791
+ 90 Days	2 248 395	2 510 148
Total	11 295 942	12 151 878
<u>(Water): Ageing</u>		
Current (0 - 30 days)	3 278 524	3 192 646
31 - 60 Days	377 539	472 349
61 - 90 Days	208 347	430 835
+ 90 Days	5 193 156	3 439 978
Total	9 057 566	7 535 807
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	4 009	5 142
31 - 60 Days	1 350	836
61 - 90 Days	1 126	836
+ 90 Days	56 837	206 492
Total	63 322	213 305
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	667 971	612 287
31 - 60 Days	308 611	276 836
61 - 90 Days	281 197	242 910
+ 90 Days	6 961 157	6 264 056
Total	8 216 936	7 395 899
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	1 222 222	1 123 746
31 - 60 Days	534 550	471 771
61 - 90 Days	466 526	401 371
+ 90 Days	11 866 590	9 586 824
Total	14 089 888	11 583 712
<u>(Other): Ageing</u>		
Current (0 - 30 days)	838 709	767 448
31 - 60 Days	2 604 381	2 225 690
61 - 90 Days	1 372 034	1 068 838
+ 90 Days	30 031 675	25 991 837
Total	34 846 799	30 063 813
<u>(Total): Ageing</u>		
Current (0 - 30 days)	14 631 040	14 864 850
31 - 60 Days	4 145 504	3 850 649
61 - 90 Days	2 436 098	2 219 580
+ 90 Days	56 357 810	47 999 334
Total	77 570 452	68 934 414



BEAUFORT WEST MUNICIPALITY

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

Summary of Debtors by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2018				
Current (0 - 30 days)	145 886	19 755 515	2 947 492	1 228 621
31 - 60 Days	37 713	1 744 514	2 149 677	213 600
61 - 90 Days	26 808	2 213 492	105 500	90 288
+ 90 Days	780 551	50 608 505	3 423 530	1 545 224
Sub-total	990 958	74 322 026	8 626 199	3 077 744
Less: Provision for Debt Impairment	(805 337)	(54 780 415)	(5 622 353)	-
Total debtors by customer classification	185 621	19 541 611	3 003 846	3 077 744

Summary of Debtors by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2017				
Current (0 - 30 days)	155 989	10 376 915	2 179 480	2 575 536
31 - 60 Days	24 780	3 251 494	402 773	171 308
61 - 90 Days	7 443	1 842 227	294 628	75 283
+ 90 Days	763 981	40 703 119	3 584 884	2 524 572
Sub-total	952 194	56 173 756	6 461 765	5 346 699
Less: Provision for Debt Impairment	(606 634)	(46 653 714)	(4 250 089)	-
Total debtors by customer classification	345 560	9 520 041	2 211 676	5 346 699

Reconciliation of Provision for Debt Impairment

	2018 R	2017 R
Balance at beginning of year	51 510 437	45 517 717
Contribution to provision	7 530 773	5 992 720
VAT on provision	7 799 131	-
Reversal of provision	(5 632 236)	-
Balance at end of year	61 208 106	51 510 437

The total amount of this provision is R61 208 106 and consist of:

	2018 R	2017 R
Services	26 427 348	23 803 012
Other Debtors	34 780 757	27 707 425
Total Provision for Debt Impairment on Receivables from exchange transactions	61 208 106	51 510 437

Ageing of amounts past due but not impaired:

	2018 R	2017 R
1 month past due	292 802	189 376
2+ months past due	1 652 409	2 803 553
	1 945 211	2 992 930

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.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
12. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	21 452 988	13 770 222
Fines	128 782 626	99 191 306
Other Receivables	814 763	155 580
	<u>150 850 377</u>	<u>113 117 108</u>
<u>Less:</u> Provision for Debt Impairment	(121 669 991)	(92 736 924)
Total Receivables from non-exchange transactions	<u><u>29 180 386</u></u>	<u><u>20 380 184</u></u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Debtors with a total outstanding balance of Rxxx,xxx (2017 - Rxxx,xxx) have arranged to settle their account over an renegotiated period. Total payments to the value of Rxxx,xxx (2017 - Rxxx,xxx) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

	2018 R	2017 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2 017 712	1 611 256
31 - 60 Days	721 334	684 100
61 - 90 Days	590 229	452 021
+ 90 Days	18 123 713	11 022 845
Total	<u><u>21 452 988</u></u>	<u><u>13 770 222</u></u>
<u>(Other Receivables): Ageing</u>		
Current (0 - 30 days)		
31 - 60 Days		
61 - 90 Days		
+ 90 Days	128 782 626	99 191 306
Total	<u><u>128 782 626</u></u>	<u><u>99 191 306</u></u>



BEAUFORT WEST MUNICIPALITY

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

Summary of Debtors (Rates) by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2018				
Current (0 - 30 days)	43 645	1 406 300	500 105	67 661
31 - 60 Days	19 613	442 177	198 455	61 089
61 - 90 Days	16 809	390 778	123 936	58 706
+ 90 Days	1 330 651	12 996 399	1 894 575	1 902 088
Sub-total	1 410 718	15 235 655	2 717 071	2 089 545
Less: Provision for Debt Impairment	(1 357 739)	(9 338 175)	(2 135 140)	-
Total debtors by customer classification	52 978	5 897 479	681 931	2 089 545

Summary of Debtors (Rates) by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2017				
Current (0 - 30 days)	43 319	1 199 441	336 990	31 508
31 - 60 Days	20 011	567 423	70 481	26 185
61 - 90 Days	7 130	364 398	62 013	18 480
+ 90 Days	1 191 385	6 682 938	2 585 589	562 933
Sub-total	1 261 845	8 814 200	3 055 073	639 104
Less: Provision for Debt Impairment	(1 191 327)	(7 881 426)	(2 759 372)	-
Total debtors by customer classification	70 518	932 774	295 701	639 104

Reconciliation of Provision for Debt Impairment (Trade Receivables from non-exchange and exchange transactions)

	2018 R	2017 R
Balance at beginning of year	144 228 393	92 252 205
Contribution to provision	44 281 940	55 571 988
VAT contributions to provision	-	735 948
Doubtful debts written off against provision	(5 632 236)	(4 331 728)
Balance at end of year	182 878 097	144 228 393

The total amount of this provision (Trade Receivables from non-exchange transactions) consist of:

	2018 R	2017 R
Taxes	12 831 055	11 832 125
Fines	108 838 937	80 904 799
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	121 669 991	92 736 924

Ageing of amounts past due but not impaired (Trade Receivables from non-exchange transactions):

	2018 R	2017 R
1 month past due	152 248	(8 128)
2+ months past due	1 960 794	601 636
	2 113 043	593 508

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.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
13. BANK ACCOUNTS		
13.1 <u>Cash and Cash Equivalents</u>		
Current Accounts	356 816	-
Call Deposits and Investments	12 283 083	6 919 336
Cash On-hand	6 270	6 270
Total Cash and Cash Equivalents - Assets	12 646 169	6 925 606
13.2 <u>Liabilities</u>		
Current Accounts	(7 792 004)	(288 119)
Total Cash and Cash Equivalents - Liabilities	(7 792 004)	(288 119)

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 R3 367 018 are held to fund the Unspent Conditional Grants (2017: R6 919 336).

Bank overdraft of R8 000 000 exists at Nedbank and the Municipality has a facility of R 854 000 for Fleet Cards at Nedbank.

The municipality has the following bank accounts:

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):	(7 792 004)	(288 119)
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	356 816	-
	(7 435 188)	(288 119)

Call Deposits and Investments

Investec	817 322	80 683
ABSA	878 486	1 813 450
Standard Bank	2 655 530	976 014
Nedbank	8 027 822	4 049 190
	12 379 160	6 919 337

Details of current accounts are as follow:

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):

Cash book balance at beginning of year	(288 119)	(1 480 939)
Cash book balance at end of year	(7 792 004)	(288 119)

Bank statement balance at beginning of year Nedbank-Account Number 10 7428 0318	(1 001 975)	(1 166 224)
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	-	(150 182)

Bank Accounts balance at beginning of year	(1 001 975)	(1 316 406)
--	--------------------	--------------------

Bank statement balance at end of year Nedbank-Account Number 10 7428 0318	(7 504 267)	(1 001 975)
Bank statement balance at end of year ABSA-Account Number 405 0538 936	356 816	-

Bank Accounts balance at end of year	(7 147 451)	(1 001 975)
--------------------------------------	--------------------	--------------------

Bank statement balance at beginning of year ABSA-Account Number 405 0538 936

Cash book balance at beginning of year	-	-
Cash book balance at end of year	356 816	-

Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	-	-
Bank statement balance at end of year ABSA-Account Number 405 0538 936	356 816	-

Details of call investment accounts are as follow:



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
Investec		
Cash book balance at beginning of year	80 683	4 536 535
Cash book balance at end of year	817 322	80 683
Bank statement balance at beginning of year	80 683	4 536 535
Bank statement balance at end of year	817 322	80 683
Absa		
Cash book balance at beginning of year	1 813 450	5 034 228
Cash book balance at end of year	878 486	1 813 450
Bank statement balance at beginning of year	1 813 450	5 034 228
Bank statement balance at end of year	878 486	1 813 450
Standard bank		
Cash book balance at beginning of year	976 014	3 895 843
Cash book balance at end of year	2 655 530	976 014
Bank statement balance at beginning of year	976 014	3 895 843
Bank statement balance at end of year	2 655 530	976 014
Nedbank		
Cash book balance at beginning of year	4 049 190	4 570 662
Cash book balance at end of year	8 027 822	4 049 190
Bank statement balance at beginning of year	4 049 190	4 570 662
Bank statement balance at end of year	8 027 822	4 049 190
	2018 R	2017 R
14. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	9 415 979	10 789 666
Capitalised Lease Liability - At amortised cost	3 794 839	5 834 242
	13 210 818	16 623 908
<u>Less:</u> Current Portion transferred to Current Liabilities	(4 194 300)	(3 876 666)
Annuity Loans - At amortised cost	(1 525 057)	(1 376 257)
Capitalised Lease Liability - At amortised cost	(2 669 243)	(2 499 296)
Total Long-term Borrowings	9 016 518	12 748 353
Annuity loans at amortised cost is calculated at 6.75%-14.00% interest rate, with last maturity date of 31 December 2029. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.		
Finance Lease loans at amortised cost is calculated at 8.50%-10.50% interest rate, with last maturity date of 15 February 2020. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.		
	2018 R	2017 R
14.1 The obligations under annuity loans are scheduled below:		Minimum annuity payments
Amounts payable under annuity loans:		
Payable within one year	2 422 439	2 717 272
Payable within two to five years	5 853 581	6 769 141
Payable after five years	6 287 707	7 482 578
	14 563 727	16 968 990
<u>Less:</u> Future finance obligations	(5 147 748)	(6 179 324)
Present value of annuity loans obligations	9 415 979	10 789 666



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
15. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	22 062 433	21 377 863
Total Non-current Provisions	22 062 433	21 377 863

The rehabilitation cost provision is for the rehabilitation of four landfill sites in the Beaufort West region. It is required from the municipality to execute an environmental management program to restore the landfill sites after its useful life. Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at the estimated decommission dates listed below.

16.1 Landfill Sites		
Balance 1 July	26 986 726	25 314 058
Increase in estimate	(883 722)	27 254
Unwinding of discounted interest	1 673 547	1 645 414
Total provision 30 June	27 776 551	26 986 726
Less: Transfer of Current Portion to Current Provisions - Note 18	(5 714 119)	(5 608 863)
Balance 30 June	22 062 433	21 377 863

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs.

	Beaufort West	Nelspoort	Murraysburg	Merweville
Preliminary and General (Rand)	1 414 016.88	306 732.30	509 524.91	222 012.28
Site Clearance and Preparation (R2.95/m²)	129 696.75	16 950.70	35 756.95	14 151.15
Storm Water Control Measures (Rand)	1 610 047.83	851 539.55	1 066 683.57	522 555.14
Capping (Rand)	7 940 195.96	1 068 416.05	2 222 691.18	882 593.88
Leachate Management (Rand)	410 813.36	244 672.02	304 965.25	157 135.19
Fencing (Rand)	9 366.67	9 366.67	9 366.67	9 366.67

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

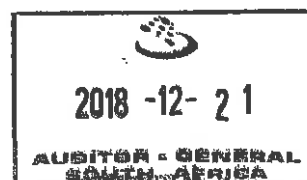
Discount Rate used	2018 %	2017 %
Discount Rate used	5.56%	6.21%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a

Other assumptions:

	Beaufort West	Nelspoort	Murraysburg	Merweville
Area (m²)	43 965.00	5 746.00	12 121.00	4 797.00
Environmental Authorisation (Closure Licence) (Rand)	419 800.00	419 800.00	-	419 800.00
Technical ROD (Rand)	88 655.00	88 655.00	88 655.00	88 655.00
Install Groundwater Monitoring Boreholes with lockable caps (includes	272 719.02	211 397.66	266 193.17	217 557.94
Landscape Architects (Rand)	117 810.00	117 810.00	117 810.00	117 810.00
Water use licence (Rand)	17 427.58	17 427.58	17 427.58	17 427.58
Topographical Survey (Rand)	11 305.29	5 300.00	5 300.00	5 300.00
Contingencies (Rand)	1 151 413.75	249 787.73	414 898.85	180 781.43
Engineering: Professional Fees (Rand)	949 916.34	206 058.38	342 291.55	149 144.68
Site Supervision (Engineer's Representative) (Rand)	331 649.33	104 807.00	255 214.30	171 460.60
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	22 360.00	23 646.60	57 339.70	47 140.20

Location	Estimated	2018 R	2017 R
Beaufort West	2025	21 757 056	18 929 078
Murraysburg	2018	5 714 119	5 608 863
Nelspoort	2035	9 891 085	10 133 456
Merweville	2029	5 844 386	5 952 240
		43 206 656	40 623 637



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
16. NON-CURRENT EMPLOYEE BENEFITS		
Post Retirement Benefits	24 953 802	25 123 594
Long Service Awards	4 035 030	3 673 892
Pension Murraysburg	27 311	25 879
Total Non-current Employee Benefits	29 016 143	28 823 365
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	26 068 660	26 955 108
Contribution for the year	3 375 629	3 350 525
Expenditure for the year	(892 419)	(894 599)
Actuarial Loss/(Gain)	(2 474 041)	(3 342 374)
Total provision 30 June	26 077 829	26 068 660
Less: Transfer of Current Portion to Current Provisions - Note 19	(1 124 027)	(945 066)
Balance 30 June	24 953 802	25 123 594
<u>Pension Murraysburg</u>		
Balance 1 July	25 879	24 781
Expenditure for the year	1 432	1 098
Balance 30 June	27 311	25 879
<u>Long Service Awards</u>		
Balance 1 July	4 273 463	4 044 630
Contribution for the year	675 145	667 821
Expenditure for the year	(733 947)	(371 995)
Actuarial Loss/(Gain)	209 326	(66 993)
Total provision 30 June	4 423 987	4 273 463
Less: Transfer of Current Portion to Current Provisions - Note 19	(388 957)	(599 571)
Balance 30 June	4 035 030	3 673 892
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	30 368 002	31 024 519
Contribution for the year	4 050 774	4 018 346
Expenditure for the year	(1 624 934)	(1 265 496)
Actuarial Loss/(Gain)	(2 264 715)	(3 409 367)
Total employee benefits 30 June	30 529 127	30 368 002
Less: Transfer of Current Portion to Current Provisions - Note 19	(1 512 984)	(1 544 637)
Balance 30 June	29 016 143	28 823 365
	2018 R	2017 R
16.1 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:		
In-service (employee) members	54	55
In-service (employee) non-members	324	313
Continuation members (e.g. Retirees, widows, orphans)	32	28
Total Members	410	396
	2018 R	2017 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	8 681 567	10 352 558
In-service non-members	3 168 082	3 028 138
Continuation members (e.g. Retirees, widows, orphans)	14 228 180	12 687 964
Total Liability	26 077 829	26 068 660



BEAUFORT WEST MUNICIPALITY

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

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

	2016	2015	2014
	R	R	R
In-service members	11 420 656	10 307 427	8 824 030
In-service non-members	3 040 795	2 809 035	2 666 600
Continuation members	12 493 657	12 030 875	12 050 547
Total Liability	26 955 108	25 147 337	23 541 177

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

LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R971 916, whereas the Interest Cost for the next year is estimated to be R2 435 430.

Key actuarial assumptions used:	2018	2017
	%	%
i) Rate of interest		
Discount rate	9.54%	9.69%
Health Care Cost Inflation Rate	7.34%	7.97%
Net Effective Discount Rate	2.05%	1.60%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.

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.

	2018	2017
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	26 077 829	26 068 660
Net liability/asset	26 077 829	26 068 660
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26 068 660	26 955 108
Total expenses	2 483 210	2 455 926
Current service cost	893 091	948 164
Interest Cost	2 482 538	2 402 361
Benefits Paid	(892 419)	(894 599)
Actuarial (gains)/losses	(2 474 041)	(3 342 374)
Present value of fund obligation at the end of the year	26 077 829	26 068 660
Less: Transfer of Current Portion - Note 19	(1 124 027)	(945 066)
Balance 30 June	24 953 802	25 123 594



BEAUFORT WEST MUNICIPALITY

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

		2018 R	2017 R		
Sensitivity Analysis on the Accrued Liability on 30 June 2018					
Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)		
Central Assumptions	11.850	14.228	26.078		
The effect of movements in the assumptions are as follows:					
Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	14,363	15,657	30,019	15%
Health care inflation	-1%	9,853	12,992	22,845	-12%
Discount rate	1%	9,905	13,025	22,930	-12%
Discount rate	-1%	14,332	15,640	29,971	15%
Post-retirement mortality	-1 year	12,207	14,745	26,953	3%
Average retirement age	-1 year	12,985	14,228	27,193	4%
Continuation of membership at retirement	-10%	7,856	14,228	22,084	-15%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)		
Central Assumptions	971,900	2,435,400	3,407,300		
The effect of movements in the assumptions are as follows:					
Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	1,188,500	2,811,200	4,009,700	18%
Health care inflation	-1%	794,300	2,127,300	2,921,600	-14%
Discount rate	1%	806,200	2,359,100	3,165,300	-7%
Discount rate	-1%	1,184,800	2,512,500	3,697,300	9%
Post-retirement mortality	-1 year	1,001,100	2,518,900	3,520,000	3%
Average retirement age	-1 year	1,041,000	2,541,800	3,582,800	5%
Continuation of membership at retirement	-10%	580,700	2,054,500	2,635,200	-23%

Experience adjustments were calculated as follows:

	2018 Rm	2017 Rm
Liabilities: (Gain) / loss		(0.698)
Assets: Gain / (loss)		(0.018)

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

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	(0.427)	(0.104)	1.004
Assets: Gain / (loss)			



BEAUFORT WEST MUNICIPALITY

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

16.2 Provision for Long Service Bonuses	2018	2017
	R	R
The Long Service Bonus plans are defined benefit plans. As at year end the following number of employees were eligible for Long Service Bonuses.	378	368
Key actuarial assumptions used:	2018	2017
	%	%
i) Rate of Interest		
Discount rate	8.52%	8.40%
General Salary Inflation (long-term)	6.14%	6.22%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24%	2.05%
	2018	2017
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 423 987	4 273 463
	<u>4 423 987</u>	<u>4 273 463</u>
Net liability(asset)	<u>4 423 987</u>	<u>4 273 463</u>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	4 273 463	4 044 630
Total expenses	(58 802)	295 826
Current service cost	340 800	334 569
Interest Cost	334 345	333 252
Benefits Paid	(733 947)	(371 995)
Actuarial (gains)/losses	209 326	(66 893)
Present value of fund obligation at the end of the year	<u>4 423 987</u>	<u>4 273 463</u>
Less: Transfer of Current Portion - Note 19	<u>(388 957)</u>	<u>(599 571)</u>
Balance 30 June	<u>4 035 030</u>	<u>3 673 892</u>

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

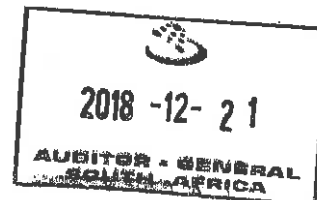
	2016	2015	2014
	R	R	R
Present value of fund obligations	4 044 630	3 826 752	3 568 981
Total Liability			

Sensitivity Analysis on the Accrued Liability on 30 June 2018

	Change	Liability (Rm)	% change
Assumption		4,424	
Central assumptions		4,701	6%
General earnings inflation	1%	4,172	-6%
General earnings inflation	-1%	4,164	-6%
Discount rate	1%	4,715	7%
Discount rate	-1%	3,769	-15%
Average retirement age	-2 yrs	5,241	18%
Average retirement age	2 yrs	5,151	16%
Withdrawal rates	-50%		

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption		375,000	360,700	735,700	
Central Assumptions		406,000	384,300	790,300	7%
General earnings inflation	1%	347,400	339,200	686,600	-7%
General earnings inflation	-1%	350,000	378,300	728,300	-1%
Discount rate	1%	403,500	340,200	743,700	1%
Discount rate	-1%	326,300	304,800	631,100	-14%
Average retirement age	-2 yrs	432,800	430,300	863,100	17%
Average retirement age	2 yrs	478,500	422,600	901,100	22%
Withdrawal Rate	-50%				



BEAUFORT WEST MUNICIPALITY

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

	2018	2017
	Rm	Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss		
Assets: Gain / (loss)	263 843	540 601

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

	2016	2015	2014
	Rm	Rm	Rm
Liabilities: (Gain) / loss			
Assets: Gain / (loss)	33 820	133 705	(124 179)

16.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required 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	2018	2017
	R	R
	8 132 640	7 329 288

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (8,0%) 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 100,5% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance	69 412	63 197
---	--------	--------

SALA PENSION FUND

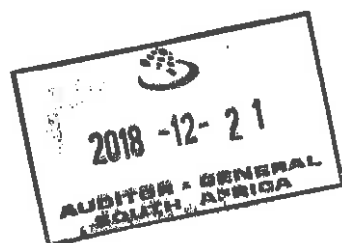
The contribution rate payable is 8,60% by members and 20,78% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2015 - 100%), funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance	1 037 037	1 123 952
---	-----------	-----------

SAMWU PROVIDENT FUND

The contribution rate payable is 7,50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2015 - 100%), funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance	500 485	538 961
---	---------	---------



BEAUFORT WEST MUNICIPALITY

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

17. CONSUMER DEPOSITS	2018	2017
	R	R
Electricity	1 161 619	1 252 489
Rental Properties	115 408	103 582
Water	252 190	244 361
Posters	6 050	7 800
Total Consumer Deposits	1 537 467	1 608 232

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

18. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 15	5 714 119	5 608 863
Total Provisions	5 714 119	5 608 863

19. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	631 866	614 337
Staff Bonuses	2 598 110	2 251 875
Staff Leave	4 982 220	5 097 439
Current Portion of Non-Current Provisions	1 512 884	1 544 637
Current Portion of Post Retirement Benefits - Note 16	1 124 027	945 066
Current Portion of Long-Service Provisions - Note 16	388 957	599 571
Total Provisions	9 725 180	9 506 288

The movement in current provisions are reconciled as follows:

19.1 <u>Performance Bonuses</u>		
Balance at beginning of year	614 337	593 065
Contribution to current portion	17 528	506 196
Expenditure incurred		(487 923)
Balance at end of year	631 866	614 337

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
19.2 <u>Staff Bonuses</u>		
Balance at beginning of year	2 251 875	2 004 896
Contribution to current portion	4 854 836	4 134 648
Expenditure incurred	(4 308 701)	(3 887 870)
Balance at end of year	2 698 110	2 251 875,00

Bonuses are being paid to all municipal staff, excluding section 57 employees. 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.

19.3 <u>Staff Leave</u>		
Balance at beginning of year	5 097 439	4 635 616
Contribution to current portion	328 262	1 270 117
Expenditure incurred	(443 481)	(808 294)
Balance at end of year	4 982 220	5 097 439

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.

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

19.4 <u>Shortfall In Cape Joint Pension Fund</u>		
Balance at beginning of year	-	-
Transfer from non-current	-	-
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	-	-

Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 17 to the Financial Statements.

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Payments received in advance	511 072	206 955
Pensionfund SALA	524 084	944 084
Receivable accounts with credit balances	4 043 284	4 668 148
Retentions	2 193 279	1 759 816
Sundry creditors	3 975 685	2 892 880
Sundry deposits	1 724 897	1 597 735
Trade Payables	40 666 964	19 240 394
Total Trade Payables	53 639 264	31 110 012
Less: Transfer to Non-current Trade and Other Payables from Exchange Transactions	(104 084)	(524 084)
Balance 30 June - Current Trade and Other Payables from Exchange Transactions	53 535 180	30 585 928

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.



BEAUFORT WEST MUNICIPALITY

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

	2018	2017
	R	R
21. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	3 379 953	13 726 438
National Government Grants	111 542	11 835 155
Provincial Government Grants	3 268 411	1 891 283
Previously reported	-	1 819 028
Plus: Correction of error Note 48.4	-	72 256
Less: Unpaid Transfers and Subsidies	(12 935)	(6 008)
Provincial Government Grants	(12 935)	(6 008)
Total Unspent Transfers and Subsidies	3 367 018	13 720 430

The Unspent Grants are cash-backed by term deposits or kept in the primary bank account of the municipality. Please note that the primary bank account of the municipality has a R8 million overdraft facility. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. Grants amounting to R112 708 were withheld.

Amount available in short term investment deposits	3 367 018	6 919 336
Amount available in the overdraft facility of the primary bank account	-	6 801 094
Available Cash for Unspent Conditional Grants and Receipts	3 367 018	13 720 430

See appendix "E" 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.

22. TAXES

22.1 VAT Payable	(827 179)	(258 110)
VAT Output in Suspense	(942 259)	(1 617 047)
Less: Contribution to Provision for Doubtful Debt Impairment	7 196 703	6 325 843
Total VAT Payable	5 427 265	4 450 686
22.2 VAT Receivable	6 833 275	1 614 863
VAT Input in Suspense	-	-
Total VAT Receivable	6 833 275	1 614 863
22.3 Net VAT (Payable)/Receivable	12 280 539	6 065 549

VAT is payable on the receipts basis, VAT is paid over to SARS only once payment is received from debtors.

23. SHORT-TERM BORROWINGS

The Municipality has no short term borrowings.

24. NET ASSET RESERVES

RESERVES	4 488 754	7 653 477
Capital Replacement Reserve	-	3 245 451
Housing Development Fund	3 789 481	3 781 402
Self Insurance Reserve	699 274	626 624
Total Net Asset Reserve and Liabilities	4 488 754	7 653 477

24.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

24.2

The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

24.3 The Self Insurance Reserve is used to finance future insurance claims.

The above balances are represented by cash of R1 487 147 for the current year and R0 (2017) and is invested together with the other investments of the municipality (See Note 59)



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
25. PROPERTY RATES		
<i>Valuations - 1 July 2017</i>		
Rateable Land and Buildings	4 829 994 868	3 529 006 490
Business and Commercial Property	391 219 000	269 765 740
Municipal Properties	210 811 268	214 723 700
National Monument Properties	5 870 000	-
Public Benefit Organisations	2 520 000	-
Public Service Infrastructure Properties	1 661 100	40 440 100
Residential Properties	1 031 122 000	1 127 740 880
State-owned Properties	259 705 000	97 923 800
Agricultural Property	2 778 213 500	1 695 187 020
Other Categories	148 873 000	83 225 250
Total Property Rates	4 829 994 868	3 529 006 490
	2018 R	2017 R
Actual		
Rateable Land and Buildings	44 019 944	31 469 401
Business and Commercial Property	8 763 306	-
National Monument Properties	131 488	-
Public Service Infrastructure Properties	2 658	-
Residential Properties	20 414 817	-
State-owned Properties	4 952 954	-
Agricultural Property	8 890 283	-
Other Categories - schools	864 438	-
Other Categories - building clause		31 469 401
Less: Revenue Forgone	(10 144 296)	(3 147 539)
Total Assessment Rates	33 875 648	28 321 862

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0.016c/R	1.6c/R
Commercial	0.0224c/R	1.8c/R
Agricultural	0.0032c/R	2.0c/R
PSI	0.0016c/R	

Rates are levied annually and monthly. Monthly rates are payable by the 12th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R19 000 on the valuation is exempted.

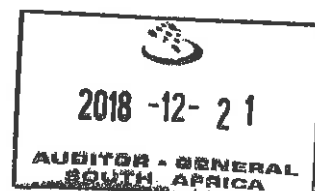
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
26. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	76 283 700	62 565 670
Equitable Share	51 060 000	46 569 000
Energy Efficiency and Demand Side Management	5 973 273	-
Expanded Public Works Programme Integrated Grant	1 574 186	1 617 000
Local Government Financial Management Grant	1 700 000	1 608 624
Provincial Treasury : Financial Management Support Grant	2 330 000	1 034 494
Department of Transport and Public Works : Maintenance and Construction of Transport Infrastructure	4 834 053	-
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	-	-
Department of Local Government : Municipal Service Delivery and Capacity Building Grant	400 000	-
Provincial Treasury : Financial Management Capacity Building Grant	65 827	-
Municipal Infrastructure Grant	148 151	-
Municipal Infrastructure Grant - PMU	300 000	269 899
Libraries, Archives and Museums	5 014 421	4 901 018
Municipal Infrastructure Support Grant	-	382 256
Department of Local Government : Municipal Drought Relief Grant	507 566	-
Community Development Workers (CDW) operational support grant	228 420	157 245
Human settlements development grant (Beneficiaries) - Housing	429 155	6 016 134
Human Settlements Development Grant - Tile Deeds Restoration	-	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)	1 718 649	-
Government Grants and Subsidies - Capital	77 717 305	44 614 123
Integrated National Electrification Programme Grant	6 600 000	4 500 000
Local Government Financial Management Grant	-	16 376
Municipal Infrastructure Grant	13 691 848	13 729 946
Department of Local Government : Municipal Drought Relief Grant	4 627 312	-
Department Rural Development and Land Reform	22 985 715	-
Department Local Government : Internship Programme	-	-
Human settlements development grant (Beneficiaries) - Housing	22 915 750	26 016 926
Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)	6 141 040	-
Department of Local Government : Fire Service Capacity Building Grant	674 966	-
Libraries, Archives and Museums	25 350	66 587
Community Development Workers (CDW) operational support grant	55 323	-
Municipal Infrastructure Support Grant	-	284 287
Development of Sport and recreation facilities	-	-
Total Government Grants and Subsidies	154 001 005	107 179 792
Included in above are the following grants and subsidies received:		
Unconditional	51 060 000	46 569 000
Equitable Share	51 060 000	46 569 000
Conditional	104 269 001	73 461 974
Energy Efficiency and Demand Side Management	6 000 000	-
Expanded Public Works Programme Integrated Grant	1 659 000	1 617 000
Local Government Financial Management Grant	1 700 000	1 625 000
Provincial Treasury : Financial Management Support Grant	2 770 000	1 034 494
Department of Transport and Public Works : Maintenance and Construction of Transport Infrastructure	4 834 053	-
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	330 000	-
Department of Local Government : Municipal Service Delivery and Capacity Building Grant	480 000	-
Libraries, Archives and Museums	5 109 619	4 800 000
Community Development Workers (CDW) operational support grant	204 000	206 000
Human Settlements Development Grant - Tile Deeds Restoration	696 000	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)	1 015 000	-
Integrated National Electrification Programme Grant	6 600 000	4 500 000
Municipal Infrastructure Grant	14 139 999	25 835 000
Department of Local Government : Municipal Drought Relief Grant	5 300 000	-
Department Rural Development and Land Reform	22 985 715	-
Department Local Government : Internship Programme	-	60 000
Human settlements development grant (Beneficiaries) - Housing	23 345 615	32 934 480
Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)	6 300 000	-
Department of Local Government : Fire Service Capacity Building Grant	800 000	-
Western Cape Management Support Grant	-	340 000
Development of Sport and recreation facilities	-	510 000
Total Government Grants and Subsidies	165 329 001	120 030 974
Government Grants and Subsidies - Capital	77 717 305	44 614 123
Government Grants and Subsidies - Operating	76 283 700	62 565 670
	154 001 005	107 179 792



BEAUFORT WEST MUNICIPALITY

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

	2018	2017
	R	R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	51 060 000	46 569 000
Executive and Council	31 621 587	31 851 487
Corporate services		
Community and social services	5 372 926	5 268 493
Finance and administration	2 532 126	3 651 379
Planning and development	300 000	290 459
Road transport	11 088 089	10 656 640
Sport and recreation	5 597 171	1 847 962
Waste water management	24 549 819	28 682 249
Housing	2 147 803	8 016 134
Waste management	1 713 485	1 786 830
Public safety	674 866	-
Energy sources	16 861 033	10 919 047
Water management	51 532 019	8 199 113
Total Government Grants and Subsidies	154 001 005	107 179 792

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

	2018	2017
	R	R
26.1 Equitable Share		
Opening balance		
Grants received	51 060 000	46 569 000
Conditions met - Operating	(51 060 000)	(46 569 000)
Conditions still to be met	-	-

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.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned

See Appendix D & note 22 for a reconciliation of all grants.

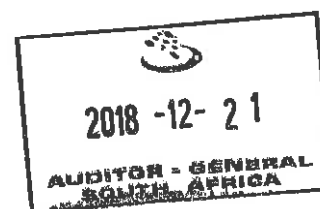
	2018	2017
26.2 National Grants		
Opening balance	11 835 155	9 249 312
Grants received	104 144 714	33 577 000
Repaid to National Revenue Fund	(11 835 155)	(9 249 312)
Conditions met - Own Income	(6 350 049)	(2 351 421)
Conditions met - Operating	(59 838 043)	(3 342 329)
Conditions met - Capital	(37 845 081)	(16 048 094)
Conditions still to be met	111 542	11 835 155



BEAUFORT WEST MUNICIPALITY

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

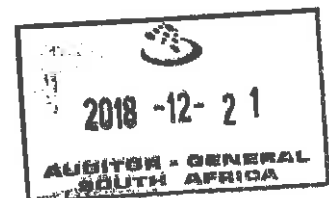
	2018 R	2017 R
26.3 Provincial Grants		
Opening balance	1 891 283	1 842 455
Grants received	51 184 267	38 650 480
Interest received	305 188	263 669
Repaid to National Revenue Fund	(157 450)	(196 372)
Conditions met - Own Income	(462 292)	(218 923)
Conditions met - Operating	(15 283 903)	(12 317 137)
Previously reported		(12 389 393)
Less: Correction of error		72 256
Conditions met - Capital	(34 221 637)	(26 332 888)
Conditions still to be met	3 255 476	1 891 283
26.4 Local Government Financial Management Grant		
Opening balance	-	-
Grants received	1 700 000	1 625 000
Conditions met - Own Income	(200 373)	(149 073)
Conditions met - Operating	(1 499 627)	(1 461 436)
Conditions met - Capital		(14 480)
Conditions still to be met	-	-
26.5 Energy Efficiency and Demand Side Management Grant		
Opening balance	-	-
Grants received	6 000 000	-
Conditions met - Own Income	(711 055)	-
Conditions met - Operating	(5 262 218)	-
Conditions still to be met	26 727	-
26.6 Municipal Systems Improvement Grant		
Opening balance	-	66 403
Repaid to National Revenue Fund	-	(66 403)
Conditions still to be met	-	-
26.7 Municipal Infrastructure Grant (MIG)		
Opening balance	11 835 155	1 523 892
Grants received	14 139 999	25 835 000
Repaid to National Revenue Fund	(11 835 155)	(1 523 892)
Conditions met - Own Income	(1 737 688)	(1 644 363)
Conditions met - Operating	(446 333)	(269 246)
Conditions met - Capital	(11 955 975)	(12 086 236)
Conditions still to be met	-	11 835 155
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
26.8 Integrated National Electrification Grant		
Opening balance	-	-
Grants received	6 600 000	-
Conditions met - Own Income	(860 870)	-
Conditions met - Capital	(5 739 130)	-
Conditions still to be met	-	-
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
26.9 Expanded Public Works Programme Integrated Grant		
Opening balance	-	-
Grants received	1 659 000	1 617 000
Conditions met - Own Income	(4 321)	(5 353)
Conditions met - Operating	(1 569 865)	(1 611 647)
Conditions still to be met	84 814	-



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
26.10 <u>Department Rural Development and Land Reform</u>		
Opening balance	-	-
Grants received	22 985 715	-
Conditions met - Own Income	(2 835 743)	-
Conditions met - Capital	(20 149 873)	-
Conditions still to be met	-	-
26.11 <u>Human settlements development grant (Beneficiaries) - Housing</u>		
Opening balance	-	-
Correction of Error	-	(834 085)
Grants received	23 345 815	32 834 488
Interest received	-	4 921
Conditions met - Operating	(429 155)	(6 088 389)
Conditions met - Capital	(22 915 750)	(26 016 926)
Conditions still to be met	710	-
The Housing grant was utilised for the development of erven and the erection of top structures.		
26.12 <u>Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)</u>		
Opening balance	906 341	-
Correction of Error	-	906 341
Grants received	1 015 000	-
Interest received	24 791	-
Conditions met - own income	(24 802)	-
Conditions met - Operating	(1 683 848)	-
Conditions still to be met	227 484	906 341
<i>Give brief description of the grant</i>		
26.13 <u>Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)</u>		
Opening balance	-	-
Grants received	6 300 000	-
Interest received	44 911	-
Conditions met - Capital	(6 141 040)	-
Conditions still to be met	203 871	-
<i>Give brief description of the grant</i>		
26.14 <u>Human Settlements Development Grant - Title Deeds Restoration</u>		
Opening balance	-	-
Grants received	686 000	-
Interest received	9 775	-
Conditions still to be met	705 775	-
<i>Give brief description of the grant</i>		
26.15 <u>Provincial Treasury : Financial Management Capacity Building Grant</u>		
Opening balance	61 080	-
Grants received	-	60 000
Interest received	6 801	1 080
Transfer from Financial Management Support Grant	370 304	-
Conditions met - Operating	(65 827)	-
Conditions still to be met	372 357	61 080
<i>Give brief description of the grant</i>		



BEAUFORT WEST MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
26.16 <u>Provincial Treasury : Financial Management Support Grant</u>		
Opening balance	279 610	910 948
Grants received	2 770 000	340 000
Interest received	41 615	65 520
Transfer to Financial Management Capacity Building Grant	(370 304)	-
Repaid to National Revenue Fund	(157 450)	(2 364)
Conditions met - own income	(210 680)	(133 902)
Conditions met - Operating	(2 119 320)	(900 583)
Conditions still to be met	<u>233 471</u>	<u>279 610</u>
<i>Give brief description of the grant</i>		
26.17 <u>Department of Transport and Public Works : Maintenance and Constructuion of Transport Infrastructure</u>		
Opening balance	-	-
Grants received	4 834 053	-
Conditions met - Operating	(4 834 053)	-
Conditions still to be met	<u>-</u>	<u>-</u>
<i>Give brief description of the grant</i>		
26.18 <u>Department of Cultural Affairs and Sport : Library Service: Replacement Funding</u>		
Opening balance	63 534	96 225
Grants received	5 109 619	4 800 000
Interest received	100 961	134 914
Conditions met - Operating	(5 014 421)	(4 901 018)
Conditions met - Capital	(25 350)	(66 587)
Conditions still to be met	<u>234 342</u>	<u>63 534</u>
<i>Give brief description of the grant</i>		
26.19 <u>Department of Cultural Affairs and Sport ; Development of Sport and Recreation Facilities</u>		
Opening balance	522 254	357
Grants received	-	510 000
Interest received	28 611	11 897
Conditions still to be met	<u>550 866</u>	<u>522 254</u>
<i>Give brief description of the grant</i>		
26.20 <u>Department of Local Government : Fire Service Capacity Building Grant</u>		
Opening balance	-	-
Grants received	800 000	-
Interest received	28 040	-
Conditions met - own income	(84 048)	-
Conditions met - Capital	(590 918)	-
Conditions still to be met	<u>154 074</u>	<u>-</u>
<i>Give brief description of the grant</i>		
26.21 <u>Department of Local Government : Community Development Workers (CDW) Operational Support Grant</u>		
Opening balance	58 465	-
Grants received	204 000	206 000
Interest received	8 343	9 709
Conditions met - own income	(17 300)	(2 371)
Conditions met - Operating	(219 714)	(154 874)
Conditions met - Capital	(46 728)	-
Conditions still to be met	<u>(12 935)</u>	<u>58 465</u>
<i>Give brief description of the grant</i>		
26.22 <u>Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)</u>		
Opening balance	-	-
Grants received	330 000	-
Interest received	8 187	-
Conditions still to be met	<u>338 187</u>	<u>-</u>
<i>Give brief description of the grant</i>		



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
26.23 Department of Local Government : Municipal Drought Relief Grant		
Opening balance		
Grants received	5 300 000	
Conditions met - own Income	(125 482)	
Conditions met - Operating	(507 586)	
Conditions met - Capital	(4 501 850)	
Conditions still to be met	165 122	
<i>Give brief description of the grant</i>		
26.24 Department of Local Government : Municipal Service Delivery and Capacity Building Grant		
Opening balance		
Grants received	480 000	
Interest received	2 152	
Conditions met - Operating	(400 000)	
Conditions still to be met	82 152	
<i>Give brief description of the grant</i>		
26.25 Upgrading Elec Network Nelspoort		
Opening balance		154 439
Interest received		12 003
Repaid to National Revenue Fund		(166 442)
Conditions still to be met		
<i>Give brief description of the grant</i>		
26.26 Total Grants		
Opening balance	13 726 439	2 752 264
Correction of Error	-	72 256
Grants received	155 329 001	114 496 480
Interest received	305 188	240 045
Repaid to National Revenue Fund	(11 882 605)	(1 789 101)
Conditions met - own Income	(8 812 341)	(1 935 082)
Conditions met - Operating	(75 121 945)	(61 956 203)
Conditions met - Capital	(72 066 718)	(36 184 239)
Conditions still to be met/(Grant expenditure to be recovered)	3 367 018	13 726 439
<i>Disclosed as follows:</i>		
Unspent Conditional Government Grants and Receipts	3 379 953	13 726 438
Unpaid Conditional Government Grants and Receipts	(12 935)	(6 008)
Total	3 367 018	13 720 430
27. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Department of Public Safety		1 400 000
Department of Libraries	155 232	
Total Contributed Property, Plant and Equipment	155 232	1 400 000
28. LICENCES AND PERMITS		
Road and Transport	329 726	367 514
Total Licences and Permits	329 726	367 514
<i>Disclosed as follows:</i>		
Revenue from Non-Exchange Transactions	41 964	37 868
Revenue from Exchange Transactions	287 763	329 646
Total Licences and Permits	329 726	367 514



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
29. SERVICE CHARGES		
Electricity	67 070 824	63 886 397
Service Charges	71 035 350	68 302 283
Less: Revenue Forgone	(3 964 526)	(4 415 885)
Water	18 787 685	18 523 695
Service Charges	30 629 110	28 465 163
Less: Revenue Forgone	(11 841 425)	(9 941 468)
Waste Management	7 412 818	6 952 732
Service Charges	8 488 301	7 939 013
Less: Revenue Forgone	(1 075 483)	(986 281)
Waste Water Management	14 160 841	13 175 246
Service Charges	17 634 155	16 404 270
Less: Revenue Forgone	(3 483 314)	(3 229 024)
Total Service Charges	107 422 169	102 538 070
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
30. SALES OF GOODS AND RENDERING OF SERVICES		
Building Plan Approval	141 819	139 926
Cemetery and Burial	299 894	209 602
Cleaning and Removal	2 974	2 864
Drainage Fees	36 281	44 369
Encroachment Fees	803	852
Entrance Fees	83 223	116 028
Immunisation Fees	5 756	6 792
Photocopies and Faxes	28 654	476 531
Sale of Goods	43 770	1 943
Scrap, Waste & Other Goods	-	125
Valuation Services	51 153	31 434
Contribution from CRR	-	1 200 000
Total Sales of Goods and Rendering of Services	694 306	2 230 287
31. RENTAL FROM FIXED ASSETS		
Heritage Assets	641 283	821 036
Investment Property	494 153	385 037
Property, Plant and Equipment		
Total Rental from Fixed Assets	1 135 436	1 206 073
32. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	760 817	1 338 736
Total Interest Earned - External Investments	760 817	1 338 736
33. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Long-term Receivables	2 821 683	2 676 899
Trade Receivables		
Other Receivables		
Total Interest Earned - Outstanding Receivables	2 821 683	2 676 899


2018 -12- 21
AUDITOR - GENERAL
SOUTH AFRICA

BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
34. OPERATIONAL REVENUE		
Commission of Insurances	839 967	805 506
Seta Fees	-	382 256
Discounts and Early Settlements	1 105	7 949
Incidental Cash Surpluses	15 923	27 025
Inspection Fees	5 497	4 356
Insurance Refund	609 541	698 933
Merchandising, Jobbing and Contracts	-	799
Registration Fees	173 912	154 909
Request for Information	19	318
Sale of Property	-	97 830
Total Operational Revenue	1 646 966	2 179 882

	2018 R	2017 R
35. EMPLOYEE RELATED COSTS		
Acting Allowance	1 455 249	1 574 180
Basic Salaries and Wages	66 781 759	59 925 242
Bonuses	4 654 937	4 134 646
Group Insurance	44 061	47 353
Housing Allowances	2 887 650	2 582 778
Medical Aid Contributions	1 544 490	1 409 346
Overtime	3 282 592	3 380 562
Payments in lieu of leave	328 262	1 270 117
Pension and UIF Contributions	10 187 237	9 583 704
Performance bonus	17 528	509 196
Scarcity allowance	231 219	86 715
Standby Allowances	1 525 878	1 414 937
Transport Allowances	359 318	462 932
Uniform Allowance	80 087	55 920
Post-retirement Benefit Obligations	1 248 891	1 280 557
Current Service Cost - Long Service Awards - Note 16,2	355 800	334 589
Current Service Cost - Medical - Note 16,1	893 091	945 988
Total Employee Related Costs	94 429 167	87 718 184

KEY MANAGEMENT PERSONNEL

The Municipal Manager and the CFO are appointed on 5-year fixed contracts and the Directors Electrical Services and Corporate Services are permanently employed.
There are no post-employment or termination benefits payable to them at the end of the contract periods.

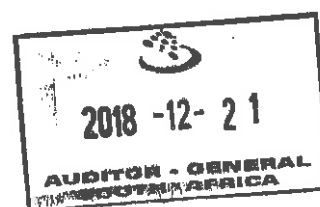
REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - K.Haarhoff

Acting Allowance		
Basic Salary	668 488	-
Car Allowance	90 000	-
Cell Phone Allowance	20 000	-
Contributions, Medical and Pension Funds	46 522	-
Total	826 010	-

Prior year MM: J Booyesen include acting period

Annual Remuneration		1 438 351
Performance Bonuses		150 830
Car Allowance		50 000
Contributions, Medical and Pension Funds		89 328
Leave pay-out		212 630
Acting allowance		30 941
Total		1 972 081



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
Remuneration of the Chief Financial Officer - Mr F. Sabbat		
Acting Allowance		19 179
Basic Salary		538 933
Car Allowance		136 929
Payments in lieu of leave		62 888
Performance Bonus		90 522
Total	-	848 450
Prior year director: F:Sabbat include acting period		
Remuneration of Acting Director : Financial Services: CJ Kymdell		
Acting Allowance		48 500
Basic Salary	853 740	291 333
Cell Phone Allowance	9 000	-
Motor Vehicle Allowance	88 000	32 000
Total	960 740	371 833
Acting period		
Remuneration of Director : Electrical Services: RE van Staden		
Acting Allowance	38 254	59 119
Basic Salary	812 608	770 244
Car Allowance	72 000	72 000
Contributions Medical and Pension Funds	142 745	134 512
Performance Bonus	-	75 475
Total	1 065 607	1 111 350
Remuneration of the Acting Director Community Services: RE Klink		
Acting Allowance		19 679
Basic Salary	541 540	-
Contributions, Medical and Pension Funds	95 588	87 371
Housing Allowances	-	2 226
Motor Vehicle Allowance	49 316	64 003
Payments in lieu of leave	-	41 121
Performance Bonus	-	545 718
Telephone	-	900
Total	686 444	761 018
Remuneration of the Acting Director Community Services: V Ruiters		
Acting Allowance	10 158	-
Total	10 158	-
Remuneration of the Director Engineering Services: NL Kotze		
Basic Salary	679 587.46	-
Cell Phone Allowance	1 500.00	-
Motor Vehicle Allowance	10 264.12	-
Payments in lieu of leave	16 887.96	-
Total	708 260	-
Remuneration of the Director Engineering Services: JCL Smit		
Basic Salary		503 262
Contributions, Medical and Pension Funds		95 405
Long service awards		84 447
Motor Vehicle Allowance		48 000
Payments in lieu of leave		83 180
Performance Bonus		80 575
Total	-	894 868
Remuneration of the Acting Director Engineering Services: CB Wright		
Acting Allowance	48 033	82 896
Total	48 033	82 896
Remuneration of the Director Corporate Services: AC Makendiana		
Acting Allowance		870 313
Basic Salary	819 050	95 773
Contributions, Medical and Pension Funds	148 263	60 000
Motor Vehicle Allowance	60 000	90 522
Performance Bonus		6 000
Telephone	6 000	6 000
Total	1 033 353	1 122 608



BEAUFORT WEST MUNICIPALITY

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

36. REMUNERATION OF COUNCILLORS	2018 R	2017 R
<i>Total Remuneration of Councillors</i>		
Annual Remuneration	4 865 696	4 137 448
Allowance	-	17 131
Telephone Allowance	404 700	285 377
Travelling	555 297	301 148
Tools of trade	23 221	45 398
Pension	209 485	113 859
Medical	9 840	50 227
Total	6 068 438	4 950 588
Remuneration paid to Councillors can be summarised as follow:		
<i>Remuneration of Councillor: H.T. Prince</i>		
Annual Remuneration	277 249	160 696
Allowance	-	5 834
Telephone Allowance	31 800	21 524
Travelling	93 258	63 322
Tools of trade	1 621	3 547
Pension	20 763	6 636
Medical	-	50 227
Total	424 691	311 786
<i>Remuneration of Councillor: S.M. Motsoane</i>		
Annual Remuneration	261 520	189 496
Allowance	-	4 667
Telephone Allowance	31 800	22 490
Travelling	93 258	66 711
Tools of trade	1 875	3 547
Pension	36 492	23 786
Total	424 945	310 698
<i>Remuneration of Councillor: G.P. Adolph</i>		
Annual Remuneration	-	50 368
Allowance	-	300
Telephone Allowance	-	2 254
Travelling	-	6 100
Tools of trade	-	389
Pension	-	4 991
Total	-	64 400
<i>Remuneration of Councillor: M. Furmen</i>		
Annual Remuneration	-	25 910
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 553
<i>Remuneration of Councillor: G. De Vos</i>		
Annual Remuneration	-	21 453
Telephone Allowance	-	2 254
Travelling	-	4 457
Tools of trade	-	389
Total	-	28 553
<i>Remuneration of Councillor: J. Diedericks</i>		
Annual Remuneration	-	64 125
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	66 768
<i>Remuneration of Councillor: A.M. Slabbert</i>		
Annual Remuneration	522 409	453 739
Allowance	-	1 756
Telephone Allowance	31 800	22 490
Travelling	123 322	132 401
Tools of trade	1 875.00	3 547
Total	679 406	613 936



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
Remuneration of Councillor: D.E. Welgemoed		
Annual Remuneration	52 693	
Telephone Allowance	13 600	
Travelling	20 990	
Tools of trade	1 200	
Pension	6 930	
Medical	9 840	
Total	105 253	
Remuneration of Councillor: E Wentzel		
Annual Remuneration	581 389	512 814
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Pension	64 342	49 375
Total	679 406	585 785
Remuneration of Councillor: E Lawrence		
Annual Remuneration	228 953	201 709
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Pension	31 924	23 254
Total	294 552	248 760
Remuneration of Councillor: O Haarvoor		
Annual Remuneration	605 936	526 913
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	639 611	560 710
Remuneration of Councillor: ZJD Lambert		
Annual Remuneration	260 877	224 963
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	294 552	248 760
Remuneration of Councillor: K Alexander		
Annual Remuneration	112 449	224 963
Telephone Allowance	9 500	20 580
Tools of trade	(225)	3 217
Total	121 724	248 760
Remuneration of Councillor: MA Kilani		
Annual Remuneration	242 008	212 561
Telephone Allowance	31 800	20 580
Travelling	75 565	8 914
Tools of trade	1 875	3 217
Pension	29 569	3 488
Total	380 817	248 760
Remuneration of Councillor: N Constable		
Annual Remuneration	445 203	224 963
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	478 878	248 760
Remuneration of Councillor: K Malool		
Annual Remuneration	-	417 459
Telephone Allowance	-	11 692
Tools of trade	-	2 017
Total	-	431 168
Remuneration of Councillor: JJ van der Linde		
Annual Remuneration Allowance	656 009	53 706
Telephone Allowance	31 800	1 739
Travelling	148 904	14 787
Tools of trade	1 875	300
Total	838 588	75 104



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
Remuneration of Councillor: J. Jones		
Annual Remuneration	-	58 970
Telephone Allowance	-	5 136
Tools of trade	-	886
Total	-	64 992
Remuneration of Councillor: G.T. Murray		
Annual Remuneration	-	25 610
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 253
Remuneration of Councillor: L. Deyce		
Annual Remuneration	358 322	189 334
Telephone Allowance	31 800	17 673
Tools of trade	1 875	2 716
Pension	19 465	2 325
Total	411 462	212 048
Remuneration of Councillor: R.T. Hugo		
Annual Remuneration	-	25 910
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 553
Remuneration of Councillor: L. Basson		
Annual Remuneration	260 877	250 532
Telephone Allowance	31 800	22 800
Tools of trade	1 875	3 600
Total	294 552	276 932
Remuneration of Councillor: P. Simon		
Annual Remuneration	-	21 453
Telephone Allowance	-	2 254
Travelling	-	4 457
Tools of trade	-	389
Total	-	28 553

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Council. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has x full-time bodyguards.

37. CONTRACTED SERVICES

Consultants and Professional Services:Business and Advisory:Accounting and Auditing	6 589 032	2 856 897
Consultants and Professional Services:Business and Advisory:Audit Committee	22 000	12 800
Consultants and Professional Services:Business and Advisory:Business and Financial Management	115 710	286 594
Consultants and Professional Services:Business and Advisory:Human Resources	90 498	199 241
Consultants and Professional Services:Business and Advisory:Medical Examinations	-	1 010
Consultants and Professional Services:Business and Advisory:Organisational	506 280	518 362
Consultants and Professional Services:Business and Advisory:Research and Advisory	156 422	375 365
Consultants and Professional Services:Infrastructure and Planning:Engineering:Electrical	-	344 519
Consultants and Professional Services:Infrastructure and Planning:Land and Quantity Surveyors	-	13 627
Consultants and Professional Services:Infrastructure and Planning:Town Planner	5 517	18 762
Consultants and Professional Services:Laboratory Services:Water	130 338	133 782
Consultants and Professional Services:Legal Cost:Collection	86 376	125 286
Consultants and Professional Services:Legal Cost:Legal Advice and Litigation	810 973	318 852
Contractors:Building	429 155	5 943 801
Contractors:Catering Services	20 328	-
Contractors:Electrical	4 962 218	-
Contractors:Maintenance of Buildings and Facilities	901 020	1 025 948
Contractors:Maintenance of Equipment	3 511 036	3 521 809
Contractors:Maintenance of Unspecified Assets	10 836 184	6 666 792
Contractors:Plants, Flowers and Other Decorations	1 020	2 565
Contractors:Prepaid Electricity Vendors	291 195	-
Contractors:Transportation	10 080	1 756
Outsourced Services:Burial Services	406 758	387 224
Outsourced Services:Business and Advisory:Occupational Health and Safety	118 246	127 305
Outsourced Services:Business and Advisory:Valuer	617 820	1 421 329
Outsourced Services:Catering Services	16 604	44 126
Outsourced Services:Personnel and Labour	1 017 647	-
Outsourced Services:Security Services	3 817 353	3 347 164
Outsourced Services:Traffic Fines Management	3 527 358	8 766 449
Total Contracted Services	38 897 166	36 440 984



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
38. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	17 180 735	15 473 198
Investment Property carried at cost	232 243	253 536
Capitalised Restoration Cost	22 327	12 805
Intangible Assets	126 786	187 146
Impairment losses/(Reversal of impairment loss)	6 901 132	222 232
Total Depreciation and Amortisation	24 463 203	16 148 917
39. FINANCE COSTS		
Long-term Borrowings	3 056 417	3 483 684
Finance leases	207 113	206 611
Non-current Employee Benefits	2 816 883	2 735 613
Overdraft Facilities	185 339	154 206
Total Finance Costs	6 265 751	6 590 114
40. BULK PURCHASES		
Electricity	52 862 992	53 948 964
Water	6 159 555	7 563 138
Total Bulk Purchases	59 022 547	61 512 102
Stock adjustments	(9 735 399)	(8 161 899)
Total Bulk Purchases	49 287 148	53 350 202
41. TRANSFERS AND SUBSIDIES		
Donations	223 385	272 249
Monetary Allocations	223 385	272 249
Households	96 244	98 499
Non-profit Institutions	127 141	173 750
Total Transfers and Subsidies	223 385	272 249
42. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	373 612	556 583
Audit Fees	3 123 614	2 569 430
Bank Charges, Facility and Card Fees	575 887	815 724
Bursaries (Employees)	213 285	276 737
Communication	1 744 547	2 358 584
Deeds	21 653	16 089
Entertainment	82 557	73 190
External Computer Service	1 834 511	2 307 682
Hire Charges	316 981	191 002
Indigent Relief	323 235	331 615
Insurance excess	1 231 750	734 945
Leaverships and Internships	-	15 347
Licences	208 215	180 707
Management Fee	325 812	492 330
Printing, Publications and Books	32 207	18 789
Professional Bodies, Membership and Subscription	1 708 661	1 572 077
Registration Fees	7 765	8 833
Remuneration to Ward Committees	513 086	367 952
Rewards Incentives	12 000	9 200
Travel and Subsistence	1 022 476	867 300
Uniform and Protective Clothing	421 849	331 763
Vehicle Tracking	101 879	98 490
Wet Fuel	2 731 493	1 877 787
Workmen's Compensation Fund	-	525 828
Total Operational Costs	16 927 075	16 587 982



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
43. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 12	(6 611 243)	(5 110 549)
Receivables from Non-exchange Revenue - Note 13	(31 044 474)	(46 129 691)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(37 655 717)	(51 240 240)
44. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	1 830 605	1 358 255
Total Gains/ (Loss) on Sale of Fixed Assets	1 830 605	1 358 255
45. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Investment Property	(339 484)	-
Capitalised Restoration Cost	(15 411)	29 220
Property, Plant and Equipment	(6 949 460)	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	(7 304 375)	29 220
46. MATERIAL LOSSES		
Electricity distribution losses		
Units purchased (Kwh)	57 649 424	54 386 578
- Units lost during distribution (Kwh)	7 779 399	4 906 432
- Percentage lost during distribution	13.49%	9.02%
The reason for the increase in electricity losses is due to electricity theft on pre-paid meters. Fines were issued for first time offenders.		
Water distribution losses		
Kilolitres purified	2 647 036	2 647 727
- Kilolitres lost during distribution	1 118 151	1 153 505
- Percentage lost during distribution	42.24%	43.57%
Normal pipe bursts and field leakages are responsible for water losses.		
47. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarized as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Capital Replacement Reserve	3 245 451	(3)	3 245 448
Housing Development Fund	3 781 402	(1)	3 781 401
Self Insurance Reserve	626 624	1	626 625
Accumulated Surplus/(Deficit)	426 474 464	74	426 474 537
Long-term Liabilities	12 748 353	(4)	12 748 349
Non-current Provisions	26 986 726	-	26 986 726
Non-current Employee Benefits	28 823 365	(0)	28 823 365
Consumer Deposits	1 496 850	111 382	1 608 232
Provisions	-	-	-
Current Employee Benefits	9 508 288	(1)	9 508 287
Payables from exchange transactions	30 891 121	(103 402)	30 787 719
Unspent Conditional Government Grants and Receipts	13 654 183	-	13 654 183
Cash and Cash Equivalents	288 119	0	288 119
Current Portion of Long-term Liabilities	3 875 555	0	3 875 555
Property, Plant and Equipment	491 754 254	2	491 754 256
Investment Property	7 818 934	(0)	7 818 934
Intangible Assets	514 895	0	514 895
Capitalised Restoration Cost	249 418	(0)	249 418
Heritage Assets	5 225 000	(0)	5 225 000
Non-Current Receivables from Exchange Transactions	2 318 233	0	2 318 233
Inventory	3 329 622	0	3 329 622
Receivables from exchange transactions	17 263 873	(1 436 235)	15 827 638
Receivables from non-exchange transactions	20 224 604	1 436 269	21 662 873
Unpaid Transfers and Subsidies	-	6 008	6 008
Operating Lease Asset	56 962	1	56 962
Taxes	6 065 549	0	6 065 549
Current Portion of Long-term Receivables	653 553	-	653 553
Cash and Cash Equivalents	6 925 606	(0)	6 925 606
	(0)	0	(0)



BEAUFORT WEST MUNICIPALITY

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

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	28 321 862	1	28 321 863
Government Grants and Subsidies - Capital	42 380 983	2 233 140	44 614 123
Government Grants and Subsidies - Operating	62 300 718	337 207	62 637 925
Contributed Property, Plant and Equipment	1 400 000	-	1 400 000
Actuarial Gains	3 409 367	(0)	3 409 367
Fines, Penalties and Forfeits	63 669 999	6 407	63 676 406
Interest Earned - Non-exchange Transactions	-	592 667	592 667
Reversal of impairment	29 220	(29 220)	-
Gain on disposal of PPE	64 278	(64 278)	-
Licences and Permits	-	37 868	37 868
Property Rates - penalties imposed and collection charges	592 667	(592 667)	-
Service Charges	102 525 788	12 282	102 538 070
Sales of Goods and Rendering of Services	-	2 230 267	2 230 267
Rental from Fixed Assets	1 228 917	(19 403)	1 209 514
Interest Earned - External Investments	1 353 526	(14 790)	1 338 736
Interest Earned - Exchange Transactions	2 662 107	14 792	2 676 899
Licences and Permits	522 566	(192 920)	329 646
Agency Services	714 126	0	714 126
Operational Revenue	6 310 778	(4 845 023)	1 465 755
Employee related costs	87 690 789	27 395	87 718 184
Remuneration of Councillors	4 783 875	(1)	4 783 874
Bad Debts Written Off	-	4 331 728	4 331 728
Contracted Services	15 488 148	20 954 836	36 440 984
Depreciation and Amortisation	15 928 273	222 640	16 148 913
Finance Costs	6 590 114	2	6 590 116
Bulk Purchases	61 512 102	(0)	61 512 102
Inventory Consumed	-	2 445 456	2 445 456
Operating Leases	-	192 551	192 551
Transfers and Subsidies	98 140	174 109	272 249
Operational Costs	40 562 964	(23 974 981)	16 587 982
Debt Impairment	55 571 968	(55 571 968)	-
Collection Cost	9 200	(9 200)	-
Loss on disposal of PPE	1 422 533	(1 422 533)	-
Impairments	262 224	(262 224)	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	-	51 240 240	51 240 240
Gains/(Loss) on Sale of Fixed Assets	-	1 358 282	1 358 282
Net Surplus/(Deficit) for the year	27 570 572	0	27 570 572



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
48. 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:		
48.1 Property, Plant and Equipment		
Balance previously reported		491 754 256
Recalculation on due to error on Cost till 30 June 2016	-	287 919
Recalculation on due to error on Accumulated Depreciation till 30 June 2016	-	460 653
Recalculation on due to WIP double recording on Cost till 30 June 2016	-	(32 727 235)
Recalculation on due to WIP double recording on Accumulated Depreciation till 30 June 2016	-	1 109 586
Recalculation on due to WIP double recording on Depreciation for 2016/2017	-	117 888
Restated Balance	-	491 082 878
48.2 Operating Lease Asset		
Balance previously reported	-	56 962
Correction on movement on operating lease asset till 30 June 2016	-	5 467
Correction on movement on operating lease asset for the year ended 30 June 2017	-	(3 441)
Restated Balance	-	58 988
48.3 Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	30 891 121
Reclassification - Note 47	-	(103 402)
Note incorrectly disclosed as Trade Payable and not Receivable from Non-Exchange Receivables.	-	155 580
Correction on Non-current Trade and Other Payables from Exchange Transactions disclosed as Current Trade and Other Payables from Exchange Transactions	-	(524 084)
Reversal of journal incorrectly captured during 2017/18 and should be in 2016/2017 for Remuneration of Council	-	166 714
Restated Balance	-	30 585 928
48.4 Non-current Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	-
Correction on Non-current Trade and Other Payables from Exchange Transactions disclosed as Current Trade and Other Payables from Exchange Transactions	-	524 084
Restated Balance	-	524 084
48.5 Unspent Transfers and Subsidies		
Balance previously reported	-	13 654 183
Reversal of journal incorrectly captured during 2016/17	-	72 256
Restated Balance	-	13 726 438
48.6 Accumulated Surplus/(Deficit) - 1 July 2016		
Correction on PPE cost till 30 June 2016	-	287 919
Correction on PPE accumulated depreciation till 30 June 2016	-	460 653
Recalculation on due to WIP double recording on Cost till 30 June 2016	-	(32 727 235)
Recalculation on due to WIP double recording on Accumulated Depreciation till 30 June 2016	-	1 109 586
Correction on movement on operating lease asset till 30 June 2016	-	5 467
Total	-	(30 863 609)
48.7 Non-Current Receivables from Exchange Transactions		
Balance previously reported	-	2 318 233
Correction on Exchange vs Non-Exchange transaction disclosure	-	(816 852)
Total	-	1 501 381
48.8 Non-Current Receivables from Non-Exchange Transactions		
Balance previously reported	-	-
Correction on Exchange vs Non-Exchange transaction disclosure	-	816 852
Total	-	816 852



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
48.9 Non-current Provisions		
Balance previously reported	-	26 986 726
Correction on Exchange vs Non-Exchange transaction disclosure	-	(5 608 863)
Total	-	21 377 863
48.10 Provisions		
Balance previously reported	-	-
Correction on Exchange vs Non-Exchange transaction disclosure	-	5 608 863
Total	-	5 608 863
48.11 Receivables from Non-exchange Transactions		
Balance previously reported	-	20 224 604
Vote incorrectly disclosed as Trade Payable and not Receivable from Non-Exchange Receivable.	-	155 580
Restated Balance	-	20 380 184
48.12 Changes to Statement of Financial Performance		

Movement on operating account as a result of GRAP standards not implemented in prior years:

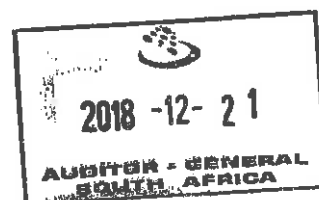
	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		28 321 863	-	28 321 863
Government Grants and Subsidies - Capital		44 614 123	-	44 614 123
Government Grants and Subsidies - Operating		62 637 925	(72 256)	62 565 670
Contributed Property, Plant and Equipment		1 400 000	-	1 400 000
Actuarial Gains		3 409 367	-	3 409 367
Fines, Penalties and Forfeits		63 676 406	-	63 676 406
Interest Earned - Non-exchange Transactions		592 667	-	592 667
Licences and Permits from Non-Exchange Transactions		37 868	-	37 868
Service Charges		102 538 070	-	102 538 070
Sales of Goods and Rendering of Services		2 230 267	-	2 230 267
Rental from Fixed Assets		1 209 514	(3 441)	1 206 073
Interest Earned - External Investments		1 338 736	-	1 338 736
Interest Earned - Exchange Transactions		2 676 899	-	2 676 899
Licences and Permits from Exchange Transactions		329 646	-	329 646
Operational Revenue		1 465 755	-	1 465 755
Total		317 193 232	(75 697)	317 117 535
Expenditure				
Employee related costs		87 718 184	-	87 718 184
Remuneration of Councillors		4 763 874	166 714	4 930 588
Bad Debts Written Off		4 331 728	-	4 331 728
Contracted Services		36 440 984	-	36 440 984
Depreciation and Amortisation		16 148 913	(117 698)	16 031 215
Finance Costs		6 590 116	-	6 590 116
Bulk Purchases		61 512 102	-	61 512 102
Inventory Consumed		2 445 456	-	2 445 456
Operating Leases		192 551	-	192 551
Transfers and Subsidies		272 249	-	272 249
Operational Costs		16 587 982	-	16 587 982
Total		237 024 138	49 016	237 073 155
Gains and Losses				
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(51 240 240)	-	(51 240 240)
Gains/(Loss) on Sale of Fixed Assets		(1 358 255)	-	(1 358 255)
Total		(52 598 495)	-	(52 598 495)
Net Surplus/(Deficit) for the year		27 570 599	(124 713)	27 445 886



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
49. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	55 585 276	27 445 886
Adjustments for:		
Depreciation	24 336 437	15 739 539
Amortisation	126 766	187 146
Loss/(Gain) on Sale of Fixed Assets	1 830 605	1 358 255
Impairment Loss/(Reversal of Impairment Loss)	37 655 717	233 004
Contributed Property, Plant and Equipment	(155 232)	(1 400 000)
Contribution to provisions – Non-Current Provisions		1 672 688
Contribution from/to provisions - Non-Current Employee Benefits		4 018 346
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	209 326	(3 409 367)
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(2 474 041)	
Contribution from/to - Current Employee Benefits		5 913 962
Contribution to employee benefits – current - expenditure incurred		(5 183 887)
Contribution from/to employee benefits - non-current - expenditure incurred		(1 265 496)
Movement in employee benefits	1 531 049	
Contribution to provisions – Bad Debt		55 571 868
Impairment written off		(4 331 728)
Additional debt Impairment transactions		117 214
Bad Debts written off	5 632 236	
Interest on provisions	2 816 883	
(Increase)/Decrease in Capitalised Restoration Cost		(27 254)
Operating lease income accrued	33 549	(3 960)
Operating Surplus/(Deficit) before changes in working capital	127 128 570	96 636 295
Changes in working capital	(45 647 488)	(58 677 600)
Increase/(Decrease) in Trade and Other Payables	22 529 183	(346 426)
Increase/(Decrease) in Taxes	(6 184 990)	674 923
(Increase)/Decrease in Inventory	(241 763)	388 999
Increase/(Decrease) in Consumer Deposits	(70 765)	203 953
Increase/(Decrease) in Current portion of Longterm Receivables	(131 144)	(41 139)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(43 822 663)	(10 015 246)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(7 361 934)	(50 187 334)
(Increase)/Decrease Unpaid Transfers and Subsidies	(6 827)	
Increase/(Decrease) in Unspent Transfers and Subsidies	(10 346 486)	2 634 670
(Increase)/Decrease in Repay Arrangements		
Cash generated/(absorbed) by operations	81 481 082	39 958 696
50. CASH AND CASH EQUIVALENTS	2018 R	2017 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 14	356 816	-
Call Deposits and Investments - Note 14	12 283 083	6 919 336
Cash Floats - Note 14	6 270	6 270
Bank Overdraft - Note 14	(7 792 004)	(288 119)
Total cash and cash equivalents	4 854 165	6 637 487



BEAUFORT WEST MUNICIPALITY

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

	2018	2017
	R	R
81. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 50	4 854 165	6 637 487
<u>Less:</u>	10 356 531	20 850 300
Unspent Transfers and Subsidies - Note 21	3 379 953	13 654 183
Staff leave - Note - 19.3	4 982 220	5 097 439
VAT - Note 22	1 769 438	1 875 157
Cash Portion of Housing Development Fund - Note 24	224 920	223 521
Net cash resources available for internal distribution	(5 502 366)	(14 212 813)
Allocated to:		
Capital Replacement Reserve - Note 24	-	3 245 451
Resources available for working capital requirements	(5 502 366)	(17 458 264)
	2018	2017
	R	R
52. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 14	13 210 818	16 623 908
Used to finance property, plant and equipment - at cost	(13 210 818)	(16 623 908)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.
 Annuity loans at amortised cost is calculated at 6.75%-14.00% interest rate, with last maturity date of 31 July 2029.
 Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.



BEAUFORT WEST MUNICIPALITY

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

53.	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2018	2017
		R	R
53.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	81 643 533	56 171 391
	Unauthorised expenditure current year - operational	20 157 188	23 007 252
	Unauthorised expenditure current year - capital	302 996	2 464 950
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	<u>102 103 718</u>	<u>81 643 533</u>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Actual vs Budgeted spending	None

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Municipal Manager	5 784 335	6 177 728	(393 393)	-
Vote 2 - Director: Corporate Service	42 058 733	36 489 468	5 569 265	5 569 265
Vote 3 - Director: Financial Services	31 717 696	28 342 738	3 374 958	3 374 958
Vote 4 - Director: Engineering Services	76 068 309	80 239 025	(4 170 716)	-
Vote 5 - Director: Community Services	65 004 192	53 791 227	11 212 965	11 212 965
Vote 6 - Director: Electrical Services	74 585 405	84 494 811	(9 909 406)	-
	<u>295 198 670</u>	<u>289 534 987</u>	<u>5 663 683</u>	<u>20 157 188</u>
	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Municipal Manager	13 780	30 000	(16 220)	-
Vote 2 - Director: Corporate Service	259 860	276 500	(16 640)	-
Vote 3 - Director: Financial Services	64 769	245 000	(180 231)	-
Vote 4 - Director: Engineering Services	72 398 487	79 974 149	(7 575 662)	-
Vote 5 - Director: Community Services	1 302 996	1 000 000	302 996	302 996
Vote 6 - Director: Electrical Services	5 739 130	6 800 000	(1 060 870)	-
	<u>79 779 022</u>	<u>88 325 649</u>	<u>(8 546 627)</u>	<u>302 996</u>

53.2	Fruitless and wasteful expenditure	2018	2017
		R	R
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	1 220 631	204 479
	Fruitless and wasteful expenditure current year	562 024	1 016 152
	Condoned or written off by Council	-	-
	Transfer to receivables for recovery - not condoned	-	-
	Fruitless and wasteful expenditure awaiting condonement	<u>1 782 655</u>	<u>1 220 631</u>

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2018 R	2017 R
Contractor was stopped to perform his duties on site during his contact.	None	-	439 854
During the year under review it was discovered that debit orders were going off against the municipality's bank account for payments to Homechoice, Mulichoice, Truworths, etc	None	-	576 198
Backpay to council.	None	562 024	-
		<u>562 024</u>	<u>1 016 152</u>



BEAUFORT WEST MUNICIPALITY

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

53.3 Irregular expenditure

	2018 R	2017 R
Reconciliation of irregular expenditure:		
Opening balance	52 932 427	16 952 840
Irregular expenditure current year	52 225 682	35 979 587
Expenditure authorised i.t.o. Section 32 of MFMA		
Condonement supported by council		
Transfer to receivables for recovery - not condoned		
Irregular expenditure awaiting further action	105 168 118	52 932 427

	2018 R	2017 R
--	-----------	-----------

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
2014 - Open tender request sent after event. R35 000	None	35 000	35 000
2015 - SCM procedures not followed current year. R550 134.06	None	550 134	550 134
Irregular Expenditure incurred i.to Contracting for Traffic Services: 2011/2012 Financial Year - R3 025 588.67 2012/2013 Financial Year - R5 725 559.70 2013/2014 Financial Year - R6 570 444.36	None	15 321 593	15 321 593
2016 - SCM procedures not followed current year. R1 046 112.55	None	1 046 113	1 046 113
2017 - SCM procedures not followed with regards to housing. R32 105 315	None	32 105 315	32 105 315
2017 - SCM procedures not followed current year. R3 874 272	None	3 874 272	3 874 272
2018 - SCM procedures not followed with regards to housing. R31 509 033.75	None	31 509 034	-
2018 - SCM procedures not followed current year. R19 979 711	None	19 979 711	-
2018 - SCM procedures not followed current year. R736 947	None	736 947	-
		105 168 118	52 932 427

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



BEAUFORT WEST MUNICIPALITY

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

	2018 R	2017 R
54. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
54.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)		
Opening balance	(30)	-
Council subscriptions	949 899	857 855
Amount paid - current year	(949 899)	(857 885)
Balance unpaid (Included in creditors)	(30)	(30)
54.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year audit fee	3 123 614	2 569 430
External Audit - Auditor-General	3 123 614	2 569 430
Amount paid - current year	(3 123 614)	(2 569 430)
Balance unpaid (Included in creditors)	-	-
54.3 VAT - [MFMA 125 (1)(e)]		
Opening balance	(6 065 549)	(6 065 549)
Amounts received - previous year	1 249 275	-
Amounts received - current year	(13 936 797)	-
Amount paid - current year	22 781 606	-
Closing balance	4 028 535	(6 065 549)
<p>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.</p>		
54.4 PAYE and UIF - [MFMA 125 (1)(e)]		
Opening balance	800 172	726 820
Current year payroll deductions	11 806 646	10 770 270
Amount paid - current year	(10 981 933)	(10 896 918)
Balance unpaid (Included in creditors)	1 625 085	800 172
54.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(e)]		
Opening balance	-	1 210 548
Current year payroll deductions and Council Contributions	17 021 786	15 807 766
Amount paid - current year	(17 021 786)	(17 018 314)
Balance unpaid (Included in creditors)	-	-



BEAUFORT WEST MUNICIPALITY

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

54.6 <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>	2018 R	2017 R
The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:		
	Outstanding more than 90 days	Outstanding more than 90 days
Councillor HT Prince (012338/010957)	14 702	22 629
Councillor HT Prince (010956/010957)	-	13 684
Councillor SM Motsoane (022661/022662)	765	1 176
Total Councillor Arrear Consumer Accounts	15 467	37 489

54.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation			Emergency
			Impossible	Impractical		
Jul-17	87 883		65 000	32 883	-	
Aug-17	771 598	559 804	48 244	49 894	113 657	
Sep-17	252 636	16 256	180 036	24 766	31 578	
Oct-17	171 103	18 245	152 858	-	-	
Nov-17	62 496	-	17 434	45 062	-	
Dec-17	336 116	326 723	-	9 393	-	
Jan-18	15 394 826	157 616	15 226 410	-	10 800	
Feb-18	416 028	4 883	139 567	26 775	244 804	
Mar-18	58 977	-	19 859	28 318	10 800	
Apr-18	219 571	46 349	140 155	33 067	-	
May-18	54 803	29 600	20 203	5 000	-	
Jun-18	25 278	5 340	8 774	11 164	-	
	17 861 315	1 164 815	16 018 539	286 322	411 638	

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Range of Deviations approved by Municipal Manager

	Total Deviations	2016/17 Amounts
Deviations between 0 - 10 000	210	1 016 346
Deviations between 10 001 - 30 000	86	1 051 417
Deviations between 30 001 - 200 000	40	2 961 173
Deviations greater than 200 001	4	1 217 728
	320	6 246 664

54.8 Other non-compliance

MFMA Section 65(2)(b)

Adequate management, accounting and information system was not in place which accounted for creditors.

MFMA Section 65(2)(e)

The municipality had experienced cash flow problems during the year as a result of which creditors were not always paid within 30 days of date of statement or invoice as required.

MFMA Section 15

Expenditure was not only incurred in terms of an approved budget and within the limits of the amounts approved for the different votes in an approved budget.

MFMA Section 32(4)

Report pertaining to unauthorised, irregular, fruitless and wasteful expenditure have not been submitted to all relevant parties.



BEAUFORT WEST MUNICIPALITY

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

55. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:

0.5% (2017: 0.5%) Increase in interest rates
0.5% (2017: 0.5%) Decrease in interest rates

2018
R

2017
R

2018 R	2017 R
36 105	174 963
(36 105)	(174 963)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 11 and 12 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 7 and 8 for balances included in receivables that were re-negotiated for the period under review.



BEAUFORT WEST MUNICIPALITY

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

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	14.22%	21 452 988	12.17%	13 770 222
Fines	85.37%	128 782 826	87.69%	99 191 306
Other	0.41%	614 783	0.14%	155 580
	<u>100.00%</u>	<u>150 850 377</u>	<u>100.00%</u>	<u>113 117 108</u>
<u>Non-Current Receivables</u>				
Repayment arrangement	100.00%	3 479 700	100.00%	2 971 786
<u>Exchange Receivables</u>				
Electricity	14.56%	11 295 942	17.63%	12 151 878
Water	11.88%	9 057 566	10.83%	7 535 807
Property Rentals	0.08%	63 322	0.31%	213 305
Waste Management (refuse)	10.59%	8 216 936	10.73%	7 395 899
Waste Water Management (Sewerage)	18.16%	14 089 888	16.80%	11 583 712
Other	44.92%	34 846 799	43.80%	30 053 813
	<u>100.00%</u>	<u>77 570 452</u>	<u>100.00%</u>	<u>68 934 414</u>

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 11 and 12 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:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.00%	-	0.00%	-
<u>Non-exchange Receivables</u>				
Rates	10.55%	12 831 055	12.78%	11 851 092
Fines	89.45%	108 838 838	87.22%	80 885 832
	<u>100.00%</u>	<u>121 669 891</u>	<u>100.00%</u>	<u>92 736 924</u>
<u>Exchange Receivables</u>				
Electricity	0.57%	351 180	4.32%	2 230 195
Water	8.83%	5 403 556	7.61%	3 930 707
Waste Management (refuse)	12.58%	7 700 122	13.51%	6 978 263
Waste Water Management (Sewerage)	21.18%	12 972 491	20.64%	10 683 847
Housing Selling Scheme	0.10%	80 948	0.10%	50 808
Other	56.72%	34 719 809	53.83%	27 816 720
	<u>100.00%</u>	<u>61 208 106</u>	<u>100.00%</u>	<u>51 670 540</u>

The provision for bad debts could be allocated between the different categories of receivables (excl. fines) as follow:

	2018 %	2018 R	2017 %	2017 R
Other	2.92%	2 183 076	2.84%	1 797 961
Industrial	10.48%	7 757 493	11.07%	7 009 461
Residential	86.60%	64 118 591	86.10%	54 535 140
Indigents	0.00%	-	0.00%	-
	<u>100.00%</u>	<u>74 039 160</u>	<u>100.00%</u>	<u>63 342 562</u>

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates and Other Receivables		57 294 544	100%	565 244
<u>Exchange Receivables</u>				
Services		5 632 236	100%	3 766 484



BEAUFORT WEST MUNICIPALITY

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

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

2018

1 month past due
2+ months past due

	Exchange Receivables	Non-exchange Receivables
	292 802	152 248
	1 652 409	1 980 794
	1 945 211	2 113 043

2017

1 month past due
2+ months past due

	189 376	(8 128)
	2 803 553	601 636
	2 992 930	593 508

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 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 entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Non-Current Receivables from Exchange Transactions
Trade receivables and other receivables
Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and Cash Equivalents

	2018 R	2017 R
	2 480 243	2 486 251
	989 456	37 488 477
	34 846 799	-
	150 850 377	-
	12 639 899	6 925 606
	2 01 816 775	46 880 334

(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.



BEAUFORT WEST MUNICIPALITY

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	5 362 471	7 028 313	6 287 707	-
Trade and Other Payables	53 535 180	-	-	-
Unspent conditional government grants and receipts	-	-	-	-
	<u>58 897 651</u>	<u>7 028 313</u>	<u>6 287 707</u>	<u>-</u>
2017				
Long-term Liabilities	5 412 417	10 673 402	7 482 579	-
Capital repayments	3 840 865	7 589 032	5 194 007	-
Interest	1 571 552	3 084 370	2 288 572	-
Trade and Other Payables	30 690 316	-	-	-
Unspent conditional government grants and receipts	13 654 183	-	-	-
	<u>49 756 916</u>	<u>10 673 402</u>	<u>7 482 579</u>	<u>-</u>

56. FINANCIAL INSTRUMENTS

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

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

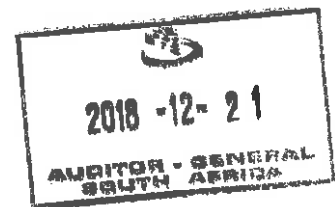
56.1	<u>Financial Assets</u>	<u>Classification</u>		
	Non-Current Receivables			
	Receivables with repay arrangements	Financial Instruments at amortised cost	1 861 932	1 501 381
	Housing Loans	Financial Instruments at amortised cost	481 643	481 643
	Receivables from Exchange Transactions			
	Trade receivables from exchange transactions	Financial Instruments at amortised cost	16 296 305	15 026 781
	Other receivables from exchange transactions	Financial Instruments at amortised cost	66 042	2 237 083
	Cash and Cash Equivalents			
	Bank Balances	Financial Instruments at amortised cost	383 086	6 270
	Call Deposits	Financial Instruments at amortised cost	12 283 083	6 919 336
	Total Financial Assets		<u>31 332 091</u>	<u>26 162 504</u>



BEAUFORT WEST MUNICIPALITY

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

		2018 R	2017 R
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Long-term Receivables	Receivables with repay arrangements	1 861 932	1 501 381
Long-term Receivables	Housing Loans	481 643	481 643
Trade receivables from exchange transactions	Trade receivables from exchange transactions	16 296 305	15 026 781
Other receivables from exchange transactions	Other receivables from exchange transactions	86 042	2 237 093
Cash and Cash Equivalents	Bank Balances	363 086	6 270
Cash and Cash Equivalents	Call Deposits	12 283 083	6 919 336
Total Financial Assets		31 332 091	26 152 504
56.2 Financial Liabilities			
Classification			
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	9 415 979	9 413 409
Capitalised Lease Liability	Financial Instruments at amortised cost	3 794 839	3 334 944
Trade and Other Payables			
Payments received in advance	Financial Instruments at amortised cost	511 072	206 955
Retentions	Financial Instruments at amortised cost	2 193 279	1 759 816
Sundry creditors	Financial Instruments at amortised cost	3 975 685	2 692 880
Trade Payables	Financial Instruments at amortised cost	40 666 964	19 240 394
Current Portion of Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	1 525 057	1 376 257
Capitalised Lease Liability	Financial Instruments at amortised cost	2 669 243	2 489 298
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	7 792 004	288 119
		72 544 121	40 812 072
SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	10 941 036	10 789 666
Long-term Liabilities	Capitalised Lease Liability	6 464 082	5 834 242
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Payments received in advance	511 072	206 955
Trade and Other Payables	Retentions	2 193 279	1 759 816
Trade and Other Payables	Sundry creditors	3 975 685	2 692 880
Trade and Other Payables	Trade Payables	40 666 964	19 240 394
Cash and Cash Equivalents	Bank Overdraft	7 792 004	288 119
		72 544 121	40 812 072



BEAUFORT WEST MUNICIPALITY

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

67. STATUTORY RECEIVABLES		2018	2017
		R	R
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Taxes		
	VAT Receivable	6 833 275	1 614 863
	Receivables from Non-Exchange Transactions	150 235 614	112 981 528
	Rates	21 452 988	13 770 222
	Fines	128 782 626	99 191 306
	Total Statutory Receivables (before provision)	157 068 889	114 576 391
	Less: Provision for Debt Impairment	-	-
	Total Statutory Receivables (after provision)	157 068 889	114 576 391

58. IN-KIND DONATIONS AND ASSISTANCE		2018	2017
		R	R
	The municipality did not receive any in-kind donations or assistance during the year under review.		

59. PRIVATE PUBLIC PARTNERSHIPS		2018	2017
		R	R
	Council has not entered into any private public partnerships during the financial year.		

60. CONTINGENT LIABILITY		2018	2017
		R	R
	The following guarantees also qualify as contingent liabilities:		
	NAME / REG NO	GUARANTEE ISSUED TO	
	Nedbank	50 000	50 000
	Nedbank	34 700	34 700
	Nedbank	41 000	41 000
		125 700	125 700

Claims against the municipality

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

The municipality has a claim against them whereby a child was injured in a playing park due to the negligence of the municipality. An indication of the possible claim and legal fees was received from Crawford attorneys.	235 055	235 055	
On 15 July 2012 a fire destroyed a private property within the Beaufort West municipal area. Although the owner of the property previously indicated that he was unhappy with the performance of the Fire Department of the municipality he gave no intent of claiming against the municipality. On 21 October 2015, however, the affected party's lawyers issued a letter to the municipality that the affected party have issued a summons for damages for alleged negligence on the part of the Fire Department of the municipality. An indication of the possible claim and legal fees was received from Messrs Crawfords.			1 036 927
The municipality was summons by the Minister of Water Affairs for outstanding payments for water for the period April 2002 to August 2016. The municipality is in a process of negotiation with the Minister.	3 311 206	3 311 206	
	3 646 261	4 583 188	



BEAUFORT WEST MUNICIPALITY

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

CONTINGENT ASSETS			2018	2017
			R	R
BANK / FIRM	PURPOSE	REG NO		
First National Bank	Electricity supply	147	2,020	2,020
FNB/Shoprite	Electricity Supply	88	12,265	12,265
FNB/Ackermans	Electricity Supply	91	2,080	2,080
Lombard Insurance Group/AGMS	Housing Project: Merweville	248	210,450	210,450
Lombard Insurance Group/SWANSA	Reclamation Plant	261	260,068	260,068
Suretyship Guarantee 20120113/002 - ACE	Performance guarantee: Tender SCM 94/2011: Upgrading of streets in W&E Service Erf no. 7401 (DW Mall)	269		314,544
ABSA Bank		270	222,000	222,000
New National Assurance Company LTD: ACE o.b.o Benver Civils and Plant Hire cc	Performance guarantee: Tender SCM 10/2012: Construction of pedestrian walkways in Murraysburg.	271		59,850
Nedbank o.b.o A2 Loodgieters	Notice No.99/2015: Tender SCM 08/2016: Construction and installation of	295		258,345
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs	Guarantee No.G900/0583662/GLO: Notice No. 104/2015: Tender SCM	297		347,556
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs	Guarantee no. G900/0588505/GLO: Notice No.62/2015: Tender SCM	298	247,452	247,452
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs	Performance guarantee: Tender SCM 10/2016: Upgrading of Fabriek Street.	299	-	173,778
Rand Merchant Bank o.b.o R. Koster t/a R.A Koster	Guarantee Nr:G900/0595814/GLO: Supply of water and electricity to 13 Bird Street [Beaufort Manor]	301	31,300	31,300
Rand Merchant Bank o.b.o R. Koster t/a R.A Koster	Guarantee Nr:G900/0595862/GLO: Supply of water and electricity to 7 Bird Street [Beaufort Manor]	302	21,100	21,100
Provincial Gazette Nr. 7711	Notice of Registration of Driving Licence testing centre: Murraysburg Driving	308		
Infinity Guarantees	Performance Guarantee: Guarantee Nr. PS GUA MV 01: Tender nr. SCM	309	1,049,588	1,049,588
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	Retention Guarantee Nr. OGT0672/ZA0002760: Tender Nr. SCM 06/2017: Upgrading of Protea and Oak Streets, Beaufort West	310	199,417	199,417
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	Retention Guarantee: Guarantee No. OGT0672/ZA0003151: Tender no.	311	342,479	
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	Performance Demand Guarantee: Guarantee No. OGT0672/ZA0004613: Tender Number 103/2017: SCM	312	583,509	
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	03/2018: Upgrading of Klein Hand River Performance Demand Guarantee: Guarantee no. OGT06702/ZA0005420: Tender no. 103/2017 : SCM 03/2018: Upgrading of Klein Hans River Scheme: Phase 1	313	944,524	
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	Retention Guarantee: Guarantee No. OGT0672/ZA0008355: Tender No: 103/2017 : SCM 03/2018: Upgrading Of Klein Hans River Scheme: Phase 1	314	755,462	
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk	Guarantee NO. OGT0672/ZA00014812: Tender SCM 03/2018: Upgrading of Klein Hans Rivier Scheme phase 1	315	294,655	
			5,178,369	3,411,813

Loans to the amount of R24 318 313 were incorrect disclosed as Contingent Assets the prior financial year and excluded from the note the current year.



BEAUFORT WEST MUNICIPALITY

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

			2018	2017
			R	R
61. RELATED PARTIES				
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.				
61.1 Related Party Transactions				
	Rates - Levied 1 July 2017 - 30 June 2018	Service Charges - Levied 1 July 2017 - 30 June 2018	Other - Levied 1 July 2017 - 30 June 2018	Outstanding Balance - 30 June 2018
Year ended 30 June 2018				
Councillors				
Councillor AM Slabbert (010137/011832)	5 458	18 698	1	1 844
Councillor AM Slabbert (028981/031495)	2 652	2 669	-	-
Councillor N Constable (010679/032084)	2 576	5 797	-	635
Councillor N Constable (014506/014507)	496	5 244	-	674
Councillor O Haarvoor (510856/003456)	-	1 405	-	117
Councillor JJ van der Linde (014807/014808)	7 696	37 249	-	-
Councillor HT Prince(012338/010957)	10 896	19 495	-	17 100
Councillor L Deyce (510271/000768)	1 296	1 405	-	228
Councillor L Basson (024299/024299)	653	2 182	-	-
Councillor MA Kilani (020440/020441)	576	4 841	-	516
Councillor MA Kilani (006482/020441)	-	1 407	-	116
Councillor DE Welgemoed (012158/012159)	8 816	38 554	-	3 307
Councillor SM Motsoane (022661/022662)	576	5 735	-	2 763
	41 688	144 681	1	27 301
Municipal Manager and Section 57 Employees				
Municipal Manager : K Haarhoff (No account)	-	-	-	-
Director : A Makendiana (012160/029959)	9 776	2 182	-	0
Director : R van Staden (011989/011990)	11 536	22 907	-	-
Director : ER Klink (510285/000794)	3 056	1 405	-	0
Director : ER Klink (000037/044164)	496	2 182	-	-
Director : ER Klink (000312/044164)	3 200	-	-	-
Director : ER Klink (511153/002065)	16	-	-	-
Director : CJ Kymdehl (007759/007760)	11 376	35 057	-	-
	39 456	63 734	-	0
	Rates - Levied 1 July 2016 - 30 June 2017	Service Charges - Levied 1 July 2016 - 30 June 2017	Other - Levied 1 July 2016 - 30 June 2017	Outstanding Balance - 30 June 2017
Year ended 30 June 2017				
Councillors				
Councillor AM Slabbert (010137/011832)	5 542	18 802	1	1
Councillor AM Slabbert (028981/031495)	3 533	3 325	-	-
Councillor N Constable (010679/032084)	3 707	5 956	-	709
Councillor N Constable (014506/014507)	374	4 402	-	392
Councillor O Haarvoor (510856/003456)	-	1 310	-	219
Councillor JJ van der Linde (014807/014808)	7 417	34 308	-	-
Councillor HT Prince(012338/010957)	9 231	50 510	-	182
Councillor HT Prince(010956/010957)	4 216	3 325	-	15 716
Councillor L Deyce (510271/000768)	1 014	1 310	-	186
Councillor L Basson (024299/024299)	675	2 034	-	0
Councillor MA Kilani (020440/020441)	404	4 465	-	395
Councillor MA Kilani (006482/020441)	-	1 295	-	108
Councillor J Diedericks (020895/015754)	234	236	-	12 741
Councillor GP Adolph (021180/032194)	233	233	-	-
Councillor G de Vos (014633/014634)	3 092	3 221	-	-
Councillor G de Vos (014914/014915)	948	1 063	-	1 101
Councillor M Furmen (009168/030841)	189	398	-	-
Councillor RT Hugo (006510/041717)	467	467	-	-
Councillor G Simon (000291/000292)	1 648	1 661	-	-
Councillor G Simon (005103/005104)	5 098	-	-	32 454
Councillor G Simon (008196/008197)	3 970	3 728	-	6 074
Councillor G Simon (024545/024546)	1 492	1 504	-	47 782
Councillor J Jonas (060061/060020)	168	168	-	-
Councillor SM Motsoane (022661/022662)	237	4 347	-	2 416
	63 890	148 070	1	120 485



BEAUFORT WEST MUNICIPALITY

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

Year ended	Rates - Levied 1 July 2016 - 30 June 2017	Service Charges - Levied 1 July 2016 - 30 June 2017	Other - Levied 1 July 2016 - 30 June 2017	Outstanding Balance - 30 June 2017
Municipal Manager and Section 57 Employees				
Municipal Manager : J Booysen(020051/020052) Resigned Nov '16	1 301	-	-	548
Municipal Manager : J Booysen(018115/018116) - Resigned Nov '16	-	211	-	89
Municipal Manager : J Booysen(010964/032381) - Resigned Nov '16	2 716	23 390	-	5 057
Municipal Manager : J Booysen(018924/032381) - Resigned Nov '16	5 681	58 478	-	36 876
Director : A Makendlana (012180/029958)	8 732	2 034	-	-
Director : R van Staden (011989/011990)	10 394	16 298	-	0
Director : JCL Smit (011486/011487) - Resigned Febr '17	9 990	7 829	-	0
Director : ER Klink (510285/000794)	2 710	1 310	-	-
Director : ER Klink (000037/044164)	491	2 034	-	25
Director : ER Klink (000312/044164)	3 540	-	-	-
Director : ER Klink (511153/002065)	378	-	-	0
Director : F Sabbat (011439/031423)- Resigned Febr '17	8 881	22 555	-	5 889
Acting Director : CJ Kymdell (007759/007760)	11 458	30 907	-	3 590
Acting Director : CB Wright (012331/042714)	7 593	25 773	-	1 886
	73 874	190 821	-	53 960

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

61.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 9 to the Annual Financial Statements.

61.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 39 to the Annual Financial Statements.

61.4 Other related party transactions

The following purchases were made during the 2017/18 financial year where Councillors or staff have an interest:

Company Name	Amount	Interest
B&B Sweiswerke	42 856	Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher.
Central Karoo Events	109 224	Sons, Mr. PJ Julies and Mr. J Julies are employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort West Municipality
Karoo Motors Workshop	703 576	Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services
Karoo Drukkery	4 285	Spouse, Mrs Munroe, is currently employed at the Beaufort West Hospital
Tokkie se Slaghuis	4 200	Spouse, Mr Van Heerden is employed with the Department of Correctional Services
B Chalmers	4 500	Spouse, Mr Chalmers is employed with the Department of Correctional Services
Beaufort West Lugreëfing en Verkoëling	33 345	Spouse, Mr Krial, is currently employed by the Department of Health Services
Beaufort Luxury Coaches	37 330	Son, Mr W Johnson and daughter, Mrs B Johnson are employed at Beaufort West Municipality and Department of Public Transport
Avril's Catering	2 700	Daughter, Me M Johnson are employed with the Department of Correctional Services
Raakvat Verhuringe	11 250	Spouse, Mrs Jacobs is employed by the Central Karoo District Municipality
Ingozi Construction and Catering	3 375	Spouse, Mr F Pieters and daughter R Pieters are employed at the housing department at Beaufort West Municipality and Transnet
RWS Cleaning and Maintenance Services	41 463	Spouse, R Summers is employed at Beaufort West Municipality


2018 -12- 21
AUDITOR - GENERAL
SOUTH AFRICA

BEAUFORT WEST MUNICIPALITY

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

The following purchases were made during the 2016/17 financial year where Councillors or staff have an interest:

Company Name	Amount	Interest
Sonneblom Bloemiste	8 000	Son, Hilmir Jack, is employed at the Beaufort West Municipality
B&B Swelwerke	203 753	Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher.
Central Karoo Events	18 750	Sons, Mr. PJ Jules and Mr. J Jules is employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort West Municipality
Karoo Motors Workshop	538 796	Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services
Ingozi Construction & Catering	2 400	Spouse, Mr F Pieters is employed at the housing department at Beaufort West Municipality
Karoo Drukkery	5 810	Spouse, Mrs Munroe, is currently employed at the Beaufort West Hospital
Karoo Betonwerke	87 599	Spouses, Mr A Swanepoel en Mrs E Klazen are employed with the Department of Correctional Services and Education
Tokkie se Slaghuis	7 005	Spouse, Mr Van Heerden is employed with the Department of Correctional Services
B Chalmers	4 500	Spouses, Mr Chalmers are employed with the Department of Correctional Services
Dit Ruk Sound and Projects	5 000	Spouse, Mrs Goodheart is currently employed by Department of Education as a teacher.
Beaufort West Lugreëling en Verkoëling	9 791	Spouse, Mr Kriel, is currently employed by the Department of Health Services
Beaufort Luxury Coaches	41 500	Son, Mr W Johnson and daughter, Mrs B Johnson are employed at Beaufort West Municipality and Department of Public Transport
Avril's Catering	5 850	Daughter, Me M Johnson are employed with the Department of Correctional Services

Prior period error:

Transactions with other related parties were updated based on exception raised in prior year:

Balance previously reported	938 755.00
Additional transactions disclosed	479 100.00
Restated balance disclosed	<u>1 417 855.00</u>

The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member

Mr. T Prince (a council member of the Beaufort West Municipality) is the president of Beaufort West Local Football Association. The property on which the Football Association is built belongs to the municipality and is leased to the Football Association at an annual amount of R36,000. At 30 June 2017 an amount of R26 352 was outstanding in respect of the lease payments. Further interests include the Central Karoo Soccer and Rustdene Sportpub with outstanding balances amounting to R907 357.



BEAUFORT WEST MUNICIPALITY

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

62. FINANCIAL SUSTAINABILITY

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:

Financial Indicators

The current ratio increased to 0.89:1 from 0.83:1 in the prior year.

The municipality has budgeted for a deficit of R61 627 201 for the 2017/2018 financial year. The municipality is also budgeting for negative cash flows during 2018/2019 and 2019/2020 amounting to R13 486 793 and R30 700 472 respectively.

The average debtors' payment days increased to 571 days from 491 days. The debtors' impairment ratio decreased to 68.72% from the previous years 79.39%.

A bank overdraft facility is utilised amounting to R8 000 000.

The municipality is in arrears with Nedbank to an amount of R7 792 004 (2017 - R288 119)

The outstanding balances in respect of external loans amount to R9 415 979 (2017 - R10 789 666)

Other Indicators

Possible outflow of resources due to the contingent liability disclosed in note 60.



**APPENDIX A
BEAUFORT WEST LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Reg No.	Rate	Supplier	Loan Number	Maturity date	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
LONG-TERM LOANS										
ANNUITY LOANS										
General										
Sanlam Building RB21/10/03 IT 5.44		10.49%	DBSA	101257/1	2019-12-31	459 484	-	-	(169 888)	289 596
Sowetago Farm Mennewville		8.76%	DBSA	103464/2	2025-06-30	1 717 918	-	-	(182 770)	1 535 148
Entrance Road Industrial Area		10.17%	Nedbank	5759103384/1	2020-06-30	1 832 383	-	-	(484 673)	1 447 720
Electricity										
Load control syst RB125/88 IT.2		14.00%	DBSA	10619	2019-03-31	624 586	-	-	(281 259)	333 307
20MVA Transformer - Sub Station		10.90%	DBSA	103464/1	2023-07-31	3 829 784	(154 213)	-	(148 774)	3 528 796
Water Works										
Farm Harvester		10.90%	DBSA	103464/1	2023-07-31	1 681 337	-	-	(74 755)	1 722 113
Pressure Control System		10.90%	DBSA	103464/1	2023-07-31	544 185	(11 518)	-	(21 569)	511 298
Total Annuity Loans						10 789 865			(1 373 686)	9 416 879
LEASE LIABILITY										
Iuzu KB 250D Levd Fleetside PU 8/C	CZ 4033	9.26%	Eqstra	Dir: Traffic Services	2017-09-30	15 113	-	-	(15 113)	-
Machine Franking Neopact U - 40		9.25%	Fintech	Dir: Financial Services	2017-06-30	6 480	-	-	(8 469)	-
Machine Photocopy Nashua MP 25018PF		9.25%	Nashua	Dir: Financial Services	2017-11-10	9 072	-	-	(3 079)	-
Machine Photocopy Nashua MP6502SP		9.25%	Nashua	Dir: Corporate Services	2018-03-30	57 934	-	-	(57 934)	-
Iuzu KB 250D Levd Fleetside PU 8/C	CZ 5327	9.25%	Eqstra	Refutation Low	2019-04-30	53 251	-	-	(53 251)	-
Iuzu KB 250D Levd Fleetside PU 8/C	CZ 7488	9.25%	Eqstra	Refutation High	2019-04-30	53 251	-	-	(53 251)	-
Machine Photocopy Samsung Pro Xpress		8.75%	Minolta	Murrayburg; Admin	2018-10-30	3 606	-	-	(2 863)	1 025
Machine Photocopy Nashua		8.50%	Nashua	Dir: Financial Services	2018-08-30	4 948	-	-	(4 209)	741
Sedan Toyota Etio's	CZ 2168	9.25%	Eqstra	Dir: Financial Services	2018-09-30	48 336	-	-	(41 100)	7 236
Machine Photocopy Ricoh MP3018PF	W915PC03228	8.75%	Fintech	Dir: Financial Services	2018-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP3018PF	W915PC03222	8.75%	Fintech	Church Street Library	2018-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP3018PF	W915PC03233	8.75%	Fintech	Church Street Library	2018-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP3018PF	W915PC03208	8.75%	Fintech	Mimosa Library	2018-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP3018PF		8.75%	Nashua	Municipal Manager	2018-10-30	22 380	-	-	(16 518)	5 872
Machine Photocopy MP2203SP		8.75%	Nashua	Municipal Manager	2018-10-30	22 380	-	-	(16 518)	5 872
Sedan Chevrolet Aveo 1.6 LS	CZ 9844	9.25%	Eqstra	Dir: Corporate Services	2019-07-30	90 658	-	-	(41 057)	49 600
Ldv Iuzu KB250D Fleetside	CZ 7845	9.25%	Bidvest Bank	Dir: Engineers Services	2019-08-30	134 941	-	-	(56 077)	78 864
Sedan Chevrolet Aveo 1.6 LS	CZ 8123	9.25%	Eqstra	Building Control	2018-07-30	80 658	-	-	(41 057)	49 600
Ldv Iuzu KB250D Fleetside	CZ 8986	9.25%	Bidvest Bank	Municipal Buildings	2019-08-30	134 941	-	-	(56 077)	78 864
Ldv Iuzu KB250D Fleetside	CZ 8637	9.25%	Bidvest Bank	Municipal Buildings	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 8638	9.25%	Bidvest Bank	Recreation Sites	2019-07-30	122 917	-	-	(53 289)	69 632
Ldv Iuzu KB250D Fleetside	CZ 9728	9.25%	Bidvest Bank	Recreation Sites	2019-07-30	125 137	-	-	(49 819)	75 218
Ldv Iuzu KB250D Fleetside	CZ 7772	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	125 137	-	-	(49 819)	75 218
Ldv Iuzu KB250D Fleetside	CZ 8995	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	125 203	-	-	(48 945)	76 258
Ldv Iuzu KB250D Fleetside	CZ 8970	9.25%	Bidvest Bank	Street works & Storm Water	2019-07-30	130 832	-	-	(54 286)	76 346
Ldv Iuzu KB250D Fleetside	CZ 9635	9.25%	Bidvest Bank	Street works & Storm Water	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 8722	9.25%	Bidvest Bank	Street works & Storm Water	2019-07-30	109 898	-	-	(45 870)	64 228
Ldv Iuzu KB250D Fleetside	CZ 8722	9.25%	Bidvest Bank	Fire Brigade	2019-06-30	111 859	-	-	(48 358)	65 313
Ldv Iuzu KB250D Fleetside	CZ 8738	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	116 285	-	-	(48 379)	67 906
Ldv Iuzu KB250D Fleetside	CZ 8739	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	121 237	-	-	(50 382)	70 855
Sedan Chevrolet Aveo 1.6 LS	CZ 9843	9.25%	Eqstra	Housing Office	2019-07-30	86 071	-	-	(43 056)	52 015
Sedan Chevrolet Aveo 1.6 LS	CZ 4807	9.25%	Bidvest Bank	Refuse Removal	2019-08-30	116 285	-	-	(46 379)	69 906
Sedan Chevrolet Aveo 1.6 LS	CZ 9117	9.25%	Eqstra	Dir: Traffic Services	2019-07-30	105 568	-	-	(47 810)	57 758
Ldv Iuzu KB250D Fleetside	CZ 9723	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	134 941	-	-	(58 077)	78 864
Ldv Iuzu KB250D Fleetside	CZ 1184	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	121 237	-	-	(50 382)	70 855
Ldv Iuzu KB250D Fleetside	CZ 8685	9.25%	Bidvest Bank	Refutation: High Voltage	2019-07-30	122 917	-	-	(53 289)	69 632
Ldv Iuzu KB250D Fleetside	CZ 2884	9.25%	Bidvest Bank	Water Purification	2019-06-30	133 055	-	-	(53 077)	79 978
Ldv Iuzu KB250D Fleetside	CZ 8960	9.25%	Bidvest Bank	Water Purification	2019-07-30	122 917	-	-	(53 289)	69 632
Ldv Iuzu KB250D Fleetside	CZ 8725	9.25%	Bidvest Bank	Water Purification	2019-06-30	130 832	-	-	(54 286)	76 346
Ldv Iuzu KB250D Fleetside	CZ 7443	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 8937	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 9636	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 9639	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 9594	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Iuzu KB250D Fleetside	CZ 9585	9.25%	Bidvest Bank	Water Refurbition	2019-08-30	121 237	-	-	(50 382)	70 855
Ldv Iuzu KB250D Fleetside	CZ 8686	9.25%	Bidvest Bank	Water Refurbition	2019-08-30	121 237	-	-	(50 382)	70 855
Ldv Iuzu KB250D Fleetside	CZ 8686	9.25%	Bidvest Bank	Water Refurbition	2019-08-30	121 237	-	-	(50 382)	70 855
Ldv Iuzu KB250D Fleetside	CZ 8667	9.25%	Bidvest Bank	Murrayburg Refuse Remo. al	2019-09-30	127 508	-	-	(52 988)	74 521
Ldv Iuzu KB250D Fleetside	CZ 9724	9.25%	Bidvest Bank	Murrayburg Water Refurbition	2019-08-30	130 832	-	-	(54 286)	76 346
Ldv Iuzu KB250D Fleetside	CZ 9103	9.25%	Bidvest Bank	Water Refurbition	2019-07-30	122 431	-	-	(53 074)	69 357
Truck Refuse	CZ 2882	9.25%	Eqstra	Refuse Removal	2020-02-15	1 414 024	-	-	(902 387)	911 437
Machine Photocopy Ricoh MP3018pf	W916P905120	8.75%	Fintech	General Expenses	2020-01-30	16 861	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP3018pf	W916P905097	8.75%	Fintech	Dir: Financial Services	2020-01-30	16 861	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP3018pf	W916P905068	8.75%	Fintech	Thungang Centre	2020-01-30	16 861	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP3018pf		10.50%	MTN	General Expenses	2020-05-30	19 322	-	-	(5 864)	12 856
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52Q802E83X	10.50%	MTN	Municipal Manager	2019-02-28	8 305	-	-	(3 650)	2 654
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52G8186J2K	10.50%	MTN	Dir: Corporate Services	2019-02-28	8 305	-	-	(3 650)	2 654
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52G8188M8E	10.50%	MTN	Dir: Financial Services	2019-02-28	8 305	-	-	(3 650)	2 654
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52G701Q82V	10.50%	MTN	Dir: Engineers Services	2019-02-28	8 305	-	-	(3 650)	2 654
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52G70K0PZ7K	10.50%	MTN	Dir: Community Services	2019-02-28	8 305	-	-	(3 650)	2 654
Samsung SM-P955 (Galaxy TAB 9.7) with pouch	R52G8168LEA	10.50%	MTN	Admin: Electrical	2019-02-28	6 305	-	-	(3 650)	2 654
Sedan Toyota Etio's	CZ 10137	10.50%	Eqstra	Dir: Traffic Services	2020-07-30	-	-	144 876	(39 553)	105 215
Ldv Iuzu KB250D Fleetside	CZ 8325	10.50%	Bidvest Bank	Refuse Removal	2021-01-31	-	-	183 135	(23 421)	159 713
Ldv Iuzu KB250D Fleetside	CZ 8460	10.50%	Bidvest Bank	Dir: Traffic Services	2021-01-31	-	-	210 498	(25 527)	184 968
Total Lease Liabilities						5 834 242		648 608	(2 987 803)	3 794 838
TOTAL EXTERNAL LOANS						16 625 807		648 608	(3 961 585)	13 212 815

APPENDIX B
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
38 708 771	18 439 418	20 269 353	Governance and Administration	36 531 137	21 182 289	15 348 848
35 040 997	41 476 322	(6 435 325)		Executive and council	55 694 571	(18 412 943)
			Finance and administration			
			Internal audit			
6 102 666	9 537 736	(3 435 069)	Community and Public Safety	6 402 194	9 731 871	(3 329 678)
2 095 165	6 972 455	(4 877 290)		Community and social services	7 457 076	(1 556 424)
64 799 890	64 845 899	(46 009)		Sport and recreation	43 492 422	1 683 097
6 208 613	7 193 140	(984 527)		Public safety	3 509 076	(1 296 803)
				Housing		
			Health			
373 251	5 066 257	(4 693 006)	Economic and Environmental Services	404 159	5 086 249	(4 682 090)
11 580 353	19 424 400	(7 844 047)		Planning and development	26 286 279	(14 165 408)
				Road transport		
			Environmental protection			
87 236 573	71 206 385	16 030 188	Trading Services	94 613 351	74 565 405	20 047 946
27 840 733	23 286 544	4 554 190		Energy sources	23 968 005	48 739 075
41 321 295	9 453 972	31 867 323		Water management	9 833 740	30 433 891
9 356 517	12 643 840	(3 487 323)		Waste water management	14 391 687	(4 640 343)
				Waste management		
			Other			
330 664 824	289 746 366	40 918 458	Sub Total	363 267 839	295 198 670	68 069 169
13 315 367	-	13 315 367	Less Inter-Departmental Charges	12 483 893	-	12 483 893
317 349 457	289 746 366	27 603 091	Total	350 783 946	295 198 670	55 585 276

APPENDIX C
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			Municipal Manager			
-	4 593 186	(4 593 186)	Municipal Manager	965 827	5 409 997	(4 444 169)
38 708 771	13 846 232	24 862 539	Mayor and Council	35 565 309	15 772 292	19 793 018
			Chief Financial Officer			
34 512 982	25 253 938	9 259 044	Budget and Treasury Office	36 916 292	31 541 894	5 374 397
			Director: Administration			
528 015	16 222 384	(15 694 369)	Corporate Services	365 337	24 152 677	(23 787 340)
82 792	1 326 363	(1 243 571)	Planning and Development	104 159	1 382 525	(1 278 366)
			Director: Community Services			
6 102 666	9 537 736	(3 435 069)	Community and Social Services	6 402 194	9 731 871	(3 329 678)
-	-	-	Environmental Protection	-	-	-
2 095 165	6 972 455	(4 877 290)	Sport and Recreation	5 800 652	7 457 076	(1 656 424)
64 799 890	64 845 899	(46 009)	Public Safety	45 175 519	43 492 422	1 683 097
6 208 613	7 193 140	(984 527)	Housing	2 212 272	3 509 076	(1 296 803)
-	-	-	Health	-	-	-
			Director: Technical Services			
11 870 812	23 164 295	(11 293 482)	Road Transport	12 420 871	29 990 004	(17 569 133)
87 236 573	71 206 385	16 030 188	Electricity	94 813 351	74 565 405	20 047 946
27 840 733	23 286 544	4 554 190	Water	72 707 080	23 968 005	48 739 075
41 321 295	9 453 972	31 867 323	Waste Water Management	40 267 631	9 833 740	30 433 891
9 356 517	12 843 840	(3 487 323)	Waste Management	9 751 344	14 391 687	(4 640 343)
330 664 824	289 746 366	40 918 458	Sub Total	363 267 839	295 198 670	68 069 169
13 315 367	-	13 315 367	Less inter-Departmental Charges	12 483 893	-	12 483 893
343 980 191	289 746 366	54 233 825	Total	375 751 733	295 198 670	80 553 063

**APPENDIX D
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2018
GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation			Accumulated Impairment			Accumulated Depreciation			Carrying Value		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Reversal	Closing Balance	Opening Balance	Depreciation		Disposals	Closing Balance
Budget & Treasury	12 529 113	1 501 250	(883 562)	13 146 801	-	3 500	3 500	6 176 070	876 874	(650 246)	6 502 698	6 540 603
Community & Social Services	3 215 271	186 072	(168 875)	3 234 669	-	-	-	1 061 386	328 140	(102 765)	1 284 761	1 948 908
Corporate Services	128 790 100	-	(1 565 950)	124 624 140	-	17 231 486	17 231 486	4 689 109	1 053 875	(469 369)	5 273 615	102 119 040
Electricity	98 000 763	5 739 130	(533 252)	103 206 641	-	-	-	14 799 689	2 722 615	(481 814)	17 040 491	86 186 151
Executive & Council	11 459 504	89 680	(54 997)	11 494 388	441 218	397 184	(57 700)	3 024 457	271 470	(39 414)	3 256 513	7 457 175
Housing	138 314	-	-	138 314	-	-	-	28 866	29 520	-	58 489	78 895
Planning & Development	1 601 678	141 339	(89 225)	1 653 793	-	-	-	907 733	135 470	(72 370)	970 834	882 859
Public Safety	2 532 407	703 446	(331 894)	2 903 959	-	-	-	625 933	363 120	(271 665)	717 388	2 186 571
Road Transport	169 655 939	348 646	(192 581)	169 812 004	-	-	-	43 117 423	5 741 425	(136 315)	48 720 532	141 091 471
Sport & Recreation	7 948 382	10 503 052	(297 298)	18 154 146	-	-	-	1 591 302	472 800	(173 701)	1 860 401	16 273 745
Waste Management	14 467 476	(159 709)	(58 317)	14 249 452	256 368	15 411	271 779	6 724 183	687 237	(43 767)	7 387 653	6 510 020
Waste Water Management	95 464 073	30 911 700	(57 251)	128 318 512	-	-	-	10 332 448	2 086 413	(37 245)	12 381 616	113 936 896
Water	66 897 465	29 654 507	(188 674)	96 363 298	-	-	-	19 736 632	2 815 066	(108 419)	22 443 278	73 920 020
	830 100 498	79 619 314	(4 419 695)	705 300 117	697 564	17 647 581	(57 700)	112 806 333	17 682 025	(2 589 090)	127 889 268	559 113 384

**APPENDIX E
BEAUFORT WEST LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 88 OF 2003**

Grant Description	Balance 30 June 2017	Correction of Error	Revised Balance 30 June 2017	Contributions during the year	Transfers	Interest on Investments	Repay- ment to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Transferred to Revenue	Balance 30 June 2018	Unpaid 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
National Government Grants													
Equilib's Share	-	-	-	51 080 000	-	-	-	(51 080 000)	-	(200 373)	-	-	-
Local Government Financial Management Grant	-	-	-	1 700 000	-	-	-	(1 499 827)	-	(711 025)	26 727	26 727	-
Energy Efficiency and Demand Side Management Grant	-	-	-	6 000 000	-	-	-	(5 282 216)	-	-	-	-	-
Municipal Infrastructure Development Grant	-	-	-	5 432 044	-	-	-	(4 755 559)	-	(675 085)	-	-	-
Manorwala Sports Field	11 835 155	-	11 835 155	137 255	-	-	(11 835 155,00)	(1 48 181)	(161 145)	(18 102)	-	-	-
Beaufort West Sport Stadium	-	-	-	193 705	-	-	-	(239 192)	(645 307)	(22 566)	-	-	-
Rehabilitate Roads	-	-	-	309 000	-	-	-	-	(11 351)	(31 351)	-	-	-
PMU	-	-	-	5 200 000	-	-	-	-	(4 357 207)	(662 703)	-	-	-
Investigate Buffides	-	-	-	2 114 597	-	-	-	-	(1 854 910)	(259 687)	-	-	-
Rehabilitate Bulk Water Kolan-Henrichke	-	-	-	208 659	-	-	-	-	(181 280)	(25 379)	-	-	-
Probes & Oak Streets	-	-	-	6 500 000	-	-	-	-	(5 739 130)	(760 870)	-	-	-
Integrated National Electrification Grant	-	-	-	22 855 715	-	-	-	(1 659 665)	(20 146 079)	(2 695 763)	84 614	84 614	-
Expanded Public Works Programme Integrated Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Department Rural Development and Land Reform	-	-	-	-	-	-	-	-	-	-	-	-	-
Total National Government Grants	11 835 155	-	11 835 155	104 944 714	-	-	(11 836 165)	(89 838 045)	(37 845 081)	(8 388 048)	111 642	111 642	-
Provincial Government Grants													
Human Settlements Development Grant (Beneficiaries)	854 065,46	72 235,67	926 301,13	23 345 615	-	24 735	-	(428 159)	(22 915 750)	(24 802)	710	710	-
Human Settlements Development Grant - Accommodation of Housing (Public Projects)	-	-	-	6 300 000	-	44 811	-	(1 899 349)	(6 141 040)	(24 802)	227 484	227 484	-
Human Settlements Development Grant - Bulk Water Rehabilitation	-	-	-	666 000	-	9 775	-	-	-	-	206 871	206 871	-
Human Settlements Development Grant - Bulk Water Rehabilitation (Bulk Services)	-	-	-	-	-	9 775	-	-	-	-	705 875	705 875	-
Provincial Treasury: Financial Management Capacity Building Grant	61 078,81	-	61 078,81	2 770 000	370 304	6 801	(157 450)	(66 827)	-	(210 680)	372 357	372 357	-
Department of Transport and Public Works: Maintenance and Construction of Transport Infrastructure	83 633,73	-	83 633,73	5 109 619	(370 304)	41 615	-	(2 119 320)	(25 550)	-	233 471	233 471	-
Department of Local Government: Fire Services Capacity Building Grant	522 254,08	-	522 254,08	600 000	-	100 881	-	(5 014 421)	-	-	234 342	234 342	-
Department of Local Government: Fire Services Capacity Building Grant	58 464,57	-	58 464,57	204 000	-	28 040	-	(2 181 714)	(580 918)	(84 048)	559 856	559 856	-
Department of Local Government: Community Development Workers (CDW) Operational Support Grant	-	-	-	5 300 000	-	9 343	-	(17 300)	(48 728)	(17 300)	154 074	154 074	-
Department of Local Government: Thuzong Seniors Centres Grant (Sustainable Operational Support Grant)	-	-	-	300 000	-	8 167	-	(507 586)	-	-	185 122	185 122	-
Department of Local Government: Municipal Service Delivery and Capacity Building Grant	-	-	-	400 000	-	2 152	-	(500 000)	(4 501 850)	(126 462)	82 152	82 152	-
Total Provincial Government Grants	1 615 028	72 236	1 687 264	51 144 287	-	305 688	(187 466)	(18 288 803)	(24 221 837)	(682 292)	3 268 418	3 268 418	(12 935)
Total Grants	13 450 183	72 236	13 522 419	156 088 991	-	305 688	(11 882 636)	(78 121 848)	(72 066 718)	(8 512 341)	3 367 018	3 367 018	(12 935)

ANNEXURE B:

AG REPORT

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Beaufort West Municipality set out on pages 3 to 105, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and 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, except for the possible effects on the corresponding amounts of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Beaufort West Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Corresponding figures for 30 June 2017

3. My audit opinion on the financial statements at, and for the year ended, 30 June 2017 was modified. My opinion on the current year's financial statements is also modified because of the possible effect of the following matters on the comparability of these items for the current year:

Fines, penalties and forfeits

4. During 2017, I was unable to obtain sufficient appropriate audit evidence for provincial and weighbridge fines and confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to provincial and weighbridge fines stated at R8 139 073 in the corresponding figures for 30 June 2017.

Financial instruments

5. During 2017, I was unable to obtain sufficient appropriate audit evidence for bad debts written off per debtor class and confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the disclosure of bad debts written off per debtor class stated at R4 331 728 in the corresponding figures for 30 June 2017.

Current assets

6. The total current assets in the corresponding figures for 30 June 2017 were overstated by R3 939 534 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
- Receivables from exchange transactions stated at R17 263 873 was overstated by R2 374 958.
 - Receivables from non-exchange transactions stated at R20 382 218 was overstated by R1 260 868.
 - Taxes stated at R6 065 549 was overstated by R204 847.
 - Inventory stated at R3 329 622 was overstated by R98 861.

Context for the opinion

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

Material uncertainty relating to going concern

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. I draw attention to the statement of financial position, which indicates that the municipality's current liabilities exceeded its current assets by R11 million as at 30 June 2018. This event or condition, along with other matters as stated in note 62 to the financial statements, indicates that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

13. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material impairments/losses

14. As disclosed in note 11 to the financial statements, the municipality provided for the impairment of receivables from exchange transactions amounting to R61,2 million (2016: R51,5 million).
15. As disclosed in note 12 to the financial statements, the municipality provided for the impairment of receivables from non-exchange transactions amounting to R121,7 million (2016: R92,7 million).
16. As disclosed in the statement of financial performance, the municipality wrote off bad debts amounting to R5,6 million (2016: R4,3 million).
17. As disclosed in note 46 to the financial statements, material electricity losses of 7 779 399 Kwh (2016-17: 4 906 432 Kwh) were incurred, which represented 13,49% (2016: 9,02%) of total electricity purchased.
18. As disclosed in note 46 to the financial statements, material water losses of 1 118 151 kilolitres (2016-17: 1 153 505 kilolitres) were incurred, which represented 42,24% (2016: 43,57%) of total water purchased.

Other matters

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

Unaudited disclosure note

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

Unaudited supplementary schedules

21. The supplementary information set out on pages 106 to 110 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

22. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
23. In preparing the financial statements, the accounting officer is responsible for assessing the Beaufort West Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
27. 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.

28. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priorities	Pages in the annual performance report
KPA 1 – basic service delivery and infrastructure development	<p style="text-align: center;">9 – 10</p> <p style="text-align: center;">c) Provide for the needs of indigent households through improved services</p> <p style="text-align: center;">11 – 12</p> <p style="text-align: center;">d) Provision of basic services to all the people in the municipal area</p> <p style="text-align: center;">12 – 13</p> <p style="text-align: center;">e) Sustainability of the environment, TL17 and TL33</p> <p style="text-align: center;">14 – 17</p> <p style="text-align: center;">g) To improve and maintain current basic service delivery through specific infrastructural development projects, TL9, TL20, TL21, TL22, TL23, TL24, TL25, TL34, TL38, TL39, TL44, TL48, TL49, TL51, TL52, TL53 and TL54</p>
KPA 2 – economic development	<p style="text-align: center;">8 – 9</p> <p style="text-align: center;">b) Establishment of a well governed and accountable administration, TL12 and TL40</p> <p style="text-align: center;">12 – 13</p> <p style="text-align: center;">e) Sustainability of the environment, TL18, TL19 and TL43</p> <p style="text-align: center;">13</p> <p style="text-align: center;">f) To facilitate investment and maintenance of economic and social infrastructure to ensure infrastructure-led economic growth and development</p> <p style="text-align: center;">15 – 16</p> <p style="text-align: center;">g) To improve and maintain current basic service delivery through specific infrastructural development projects, TL26, TL 27, TL37 and TL50</p>

29. 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.

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

KPA 1 – basic service delivery and infrastructure development

KPA 1 – basic service delivery and infrastructure development

31. The development priority approved in the integrated development plan was KPA 1 – basic service delivery and infrastructure development. However, the development priority was not reported in the annual performance report.

Sustainability of the environment

32. The strategic objective 'Sustainability of the environment' was approved in the integrated development plan under development priority KPA 2 – economic development. However, the following indicators, approved in the integrated development plan under development priority KPA 1 – basic service delivery and infrastructure development, was reported under the strategic objective 'Sustainability of the environment':

- TL17 - Limit unaccounted for water quarterly to less than 38% during 2017/18 [(Number of Kilolitres Water Purchased or Purified – Number of Kilolitres Water Sold (incl free basic water) / Number of Kilolitres Water Purchased or Purified x 100]
- TL33 - Limit unaccounted for electricity to less than 12% quarterly [(Number of electricity units purchased and/or generated – number of electricity units sold (incl free basic electricity))/number of electricity units purchased and/or generated) x 100]

Various indicators

33. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the targets listed below as reported in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

- TL7 - Provide free basic sanitation to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018
- TL8 - Provide free basic refuse removal to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018
- TL9 - The percentage of the municipal capital budget spent by 30 June 2018 ((Actual amount spent /Total amount budgeted for capital projects) x100)
- TL17 - Limit unaccounted for water quarterly to less than 38% during 2017/18 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold (incl free basic water) / Number of Kilolitres Water Purchased or Purified x 100]
- TL41 - Submit housing proposals for Murraysburg, Merweville and Nelspoort to the Department of Human Settlements by 31 December 2017

- TL54 - 85% of the approved project budget for 2017/18 spent by 30 June 2018 to rehabilitate the Bulk Water Scheme - Klein Hans Rivier

34. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
TL2 - Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excluding Eskom areas) and which are billed for electricity or have pre-paid meters (Excluding Eskom areas) as at 30 June 2018	12 448	11 484
TL17 - Limit unaccounted for water quarterly to less than 38% during 2017/18 [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold (incl free basic water) / Number of Kilolitres Water Purchased or Purified x 100]	50%	42%

35. The municipality did not have an adequate record-keeping system to enable reliable reporting on the achievement of the indicators listed below. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances; while in other cases, the supporting evidence provided did not agree to the reported achievements. Based on the supporting evidence that was provided, the achievement of these indicators was different to the reported achievement in the annual performance report. I was also unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators listed below.

Indicator description	Reported achievement	Audited value
TL1 - Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and which are billed for water or have pre-paid meters as at 30 June 2018	10 216	13 772
TL5 - Provide free basic water to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	5 477	6 598
TL6 - Provide free basic electricity to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	5 987	6 326
TL7 - Provide free basic sanitation to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	4 120	3 664

Indicator description	Reported achievement	Audited value
TL8 - Provide free basic refuse removal to indigent households as defined in paragraph 9(1) of the Municipality's Credit Control and Debt Collection Policy as at 30 June 2018	1 631	1 027

TL41 - Submit housing proposals for Murraysburg, Merweville and Nelspoort to the Department of Human Settlements by 31 December 2017

36. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this target. This was due to limitations placed on the scope of my work, as no housing proposal could be provided. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 'one (1)' as reported in the annual performance report.

TL49 - 85% of the approved project budget spent by 30 June 2018 to rehabilitate roads & storm water in Murraysburg [(Actual expenditure divided by the total approved project budget)x100]

37. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this target. This was due to limitations placed on the scope of my work. The planned target for this indicator was not measurable. The systems and processes that enable reliable reporting of achievement against this indicator were also not adequately designed, since the budget amount was shifted to priorities for water projects, but the indicator was not amended in the service delivery and budget implementation plan. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of '3,99%' as reported in the annual performance report.

TL53 - Complete the investigation for new aquifers for Beaufort West by 30 June 2018

38. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of this target. I was also unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. This was due to inadequate technical indicator descriptions and a lack of proper performance management systems and processes, as well as a lack of formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator and validate the existence of systems and processes by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 'one (1)' as reported in the annual performance report.

KPA 2 – economic development

KPA 2 – economic development

39. The development priority approved in the integrated development plan was KPA 2 – economic development. However, the development priority was not reported in the annual performance report.

To enable education and skills development to equip people with economic skills

40. One of the strategic objectives approved in the integrated development plan was 'To enable education and skills development to equip people with economic skills'. However, the strategic objective was not reported in the annual performance report.

To improve and maintain current basic service delivery through specific infrastructural development projects

41. The strategic objective 'To improve and maintain current basic service delivery through specific infrastructural development projects' was approved in the integrated development plan under development priority KPA 1 – basic service delivery and infrastructure development. However, the following indicators, approved in the integrated development plan under development priority KPA 2 – economic development, was reported under the strategic objective 'To improve and maintain current basic service delivery through specific infrastructural development projects':

- TL26 - 85% of the approved project budget spent by 30 June 2018 to upgrade Protea Street and Oak Street from gravel to paved in Beaufort West [(Actual expenditure divided by the total approved project budget)x100]
- TL27 - 85% of the approved project budget spent by 30 June 2018 to upgrade Michael de Villiers/James Smith street from gravel to paved [(Actual expenditure divided by the total approved project budget)x100]
- TL37 - Upgrade 2000 meters identified gravel roads to paved/tar roads in the municipal area by 30 June 2018
- TL50 - 85% of the approved project budget spent by 30 June 2018 to upgrade Freddie Max crescent in Nelspoort from a gravel road to a paved road [(Actual expenditure divided by the total approved project budget)x100]

TL10 - Create temporary job opportunities in terms of the Extended Public Works Programme (EPWP) projects by 30 June 2018

42. The achievement of this target reported in the annual performance report was 45. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 144.

TL26 - 85% of the approved project budget spent by 30 June 2018 to upgrade Protea Street and Oak Street from gravel to paved in Beaufort West [(Actual expenditure divided by the total approved project budget)x100]

43. A comparison between the actual performance for the year under review and the previous year was not included in the annual performance report for this indicator.

TL37 - Upgrade 2000 meters identified gravel roads to paved/tar roads in the municipal area by 30 June 2018

44. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this target. This was due to limitations placed on the scope of my work. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and evidence as well as the method of collection to be used when measuring the actual achievement for the indicator. I was also unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. This was due to a lack of technical indicator descriptions, formal standard operating procedures and documented system descriptions. I was unable to confirm the reported achievement, to test whether the indicator was well defined, and to validate the existence of systems and processes by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 'zero (0)' as reported in the annual performance report.
45. I was unable to obtain sufficient appropriate audit evidence that clearly explained the logical link between the indicator and the related strategic objective. This was due to the project not being budgeted for in the current financial year. There was also no actual expenditure per the general ledger. Therefore, the project was not relevant for the current financial year. I was unable to confirm the relevance of the indicator to the strategic objective by alternative means.
46. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against this target as reported in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

Other matter

47. I draw attention to the matter below.

Achievement of planned targets

48. Refer to the annual performance report on pages 8 to 17 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 31 to 46 of this report.

Introduction and scope

49. 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.
50. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

51. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were subsequently provided, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

52. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(a) and (c).
53. Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
54. Some quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
55. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
56. Some invitations for competitive bidding were not advertised for the required minimum period, in contravention of SCM regulation 22(1) and 22(2).
57. The preference point system was not applied to some procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000). Similar non-compliance was also reported in the prior year.

58. Bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017.
59. Commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content, as required by the Preferential Procurement Regulations of 2017.
60. Commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by preferential procurement regulation 8(5) of 2017.

Expenditure management

61. Reasonable steps were not taken to prevent irregular expenditure amounting to R52 225 692, as disclosed in note 53.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA.
62. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R20 460 184, as disclosed in note 53.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
63. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Asset management

64. An adequate management, accounting and information system was not in place to account for assets, as required by section 63(2)(a) of the MFMA.
65. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Human resource management

66. I was unable to obtain sufficient appropriate audit evidence that the posts in which senior managers were appointed had been advertised, as required by section 56(3)(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulation 10(2) on the appointment and conditions of employment of senior managers.
67. I was unable to obtain sufficient appropriate audit evidence that senior manager appointments were approved by the council, as required by section 56(1)(a) of the MSA and regulation 17(2) on the appointment and conditions of employment of senior managers.

Consequence management

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

69. Irregular expenditure was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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

Revenue management

71. An adequate management, accounting and information system was not in place to account for revenue, debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.

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

Conditional grant

73. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated, as required by section 12(5) of Dora.

Strategic planning and performance management

74. The performance management system and related controls were inadequate, as it did not describe how the performance reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1). Significant internal control deficiencies were identified in the audit of performance information.

Other information

75. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

76. 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.

77. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

78. I am unable to conclude on whether the annual report is materially misstated because I was unable to obtain sufficient appropriate audit evidence for KPA 1 – basic service delivery and infrastructure development.

Internal control deficiencies

79. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

80. Leadership was not effective in ensuring that good governance was in place to protect and enhance the interests of the municipality, due to a lack of proper implementation of procedures and policies. Despite the recurring findings, leadership did not create a culture of good governance, as evidenced by the lack of review of compliance with legislation and lack of policies and procedures for capturing and processing information, which affected the annual financial statements and the annual performance report. Leadership also did not act on audit recommendations made in the prior year and did not carry out previous commitments made.
81. Leadership did not provide sufficient oversight of the implementation and monitoring of controls to prevent non-compliance, which resulted in a breakdown of controls. Leadership did also not provide adequate oversight of the preparation of the annual financial statements to ensure that they were free from material misstatements. Furthermore, leadership did not provide adequate oversight of the preparation of the annual performance report to ensure that the reported information was free from material misstatements and supported by sufficient appropriate evidence.
82. Leadership did not put measures in place to reduce the continuous reliance on consultants. Leadership had not implemented any policy or processes to ensure that staff were sufficiently and adequately trained and that the performance of staff was monitored, measured and evaluated. Leadership had also not implemented any policy or process to ensure the transfer of skills and knowledge from consultants to staff to reduce the reliance on consultants in future.
83. Leadership did not have adequately documented policies and procedures to guide the operations of the municipality and the timing for gathering information and drafting the annual financial statements and the annual performance report, resulting in pressure on management and consultants when drafting the annual financial statements and annual performance report. This consequently resulted in numerous instances of non-compliance with key legislation as well as material misstatements in both the annual financial statements and the annual performance report.

84. Leadership did not ensure that management's action plan to address the internal control deficiencies identified in the prior financial year was implemented, as evidenced by the extent of recurring audit findings in the current financial year. The action plan in place was not driven with vigour, and intervention is urgently required to improve the overall audit outcome of the municipality. Vigorous monitoring of the action plan did not occur and the timing of the implementation of commitments and the responsibility of those tasked with implementing the actions and assessing their implementation were not clear.

Financial and performance management

85. Management did not ensure that information was timeously gathered and appropriately filed to support information reported in the financial statements and annual performance report. Furthermore, the lack of contract management and proper maintenance of contract registers hampered the disclosure of accurate figures for commitments and irregular expenditure in the financial statements and resulted in non-compliance with procurement and contract management legislation.

86. Management had not implemented adequate controls to ensure that monthly reconciliations of transactions were performed to support valid, accurate and complete financial reporting.

87. Management did not prepare regular financial statements to enable an adequate and regular review of the financial statements throughout the year, thereby identifying emerging risks presented by the reporting framework for the preparation of the annual financial statements.

88. Despite the recurring findings, management had not ensured that the action plan developed to address the recurring compliance findings was implemented and monitored. Management did not have adequate controls in place to effectively review and monitor compliance with all relevant legislation. Management did not carry out the commitment made of implementing monitoring processes to ensure compliance with legislation, specifically relating to procurement and contract management and key compliance areas.

Other reports

89. 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.

90. The internal audit unit is currently performing an investigation into the fact that cash collected was lost between the collection point and the bank at which it was to be deposited. The investigation is currently in progress.

91. An external forensic audit unit performed an investigation, at the request of the provincial government and the council of the municipality, into the prior traffic fines contract. Doubt was cast regarding the validity of the contract, as well as the awarding of the contract to the relevant supplier. The investigation also consists of allegations against traffic officials who required offenders to pay fines on the road, after which they issued fictitious receipts. The matter is currently being investigated by the Hawks.

Auditor-General

Cape Town

21 December 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

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

Communication with those charged with governance

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