

GREATER GIYANI MUNICIPALITY ANNUAL REPORT 2017-2018



Taking the lead in service delivery





Vision

A Municipality where environmental sustainability, tourism and agriculture thrive for economic growth.

Mission

A democratic and accountable municipality that ensures the provision of services through sound environmental management practices, local economic development and community participation.

TABLE OF CONTENTS

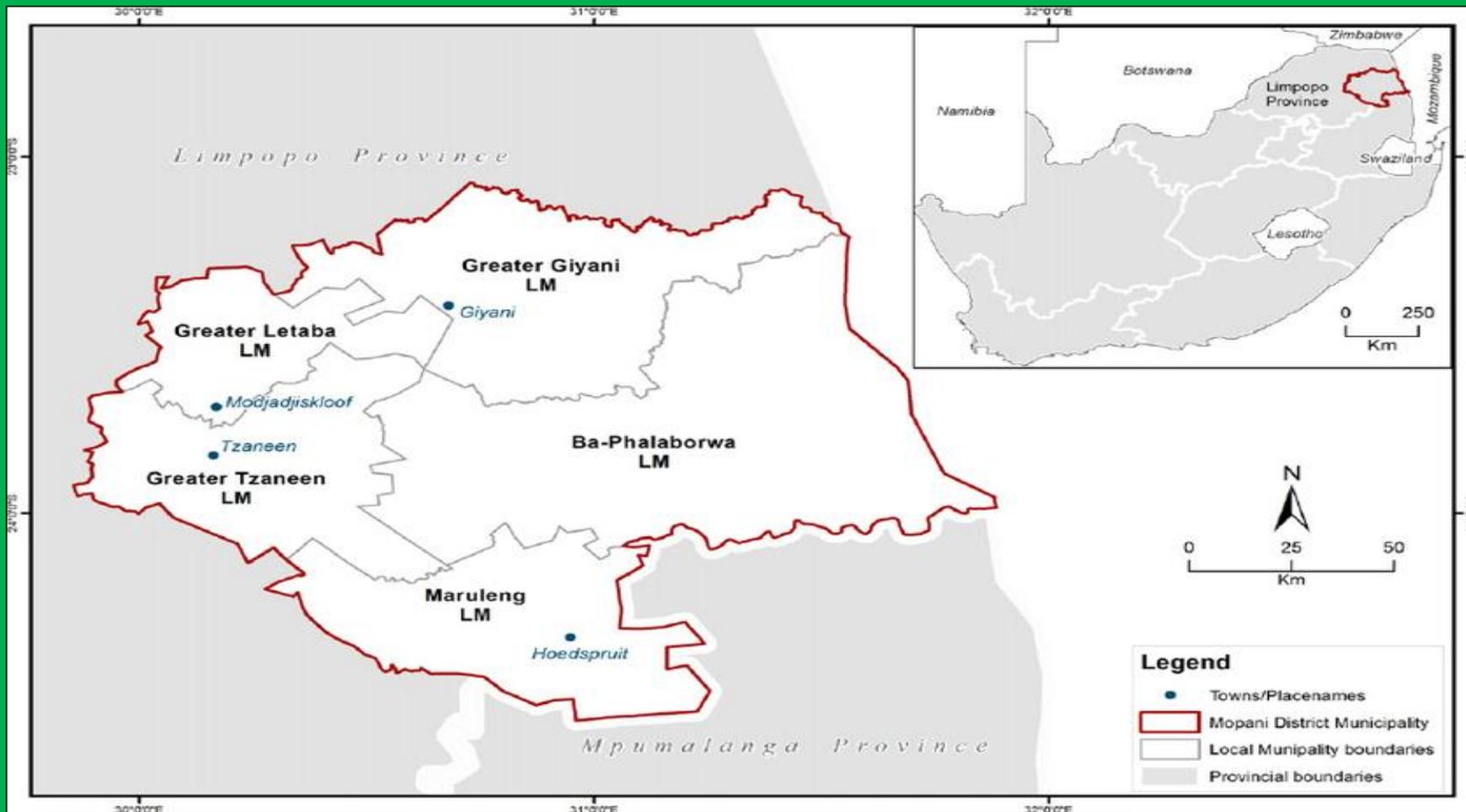
No		ITEM	PAGE
		Cover	1-3
1		TABLE OF CONTENTS	4
2		TABLE OF ACRONYMS	5
3		GENERAL INFORMATION	6
4		LOCATIONAL MAP	7
5	CHAPTER 1	MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	8-17
6	CHAPTER 2	GOVERNANCE	18-28
7	CHAPTER 3	SERVICE DELIVERY PERFORMANCE (ANNUAL PERFORMANCE REPORT)	29-64
8	CHAPTER 4	ORGANISATIONAL DEVELOPMENT PERFORMANCE	65-71
9	CHAPTER 5	ANNUAL FINANCIAL STATEMENT & FINANCIAL PERFORMANCE FOR THE YEAR	71-151
10	CHAPTER 6	AUDITOR GENERAL'S REPORT	152-163
11	ANNEXURE A	AUDITED ANNUAL REPORT	164-231
12	ANNEXURE B	AUDITED ANNUAL FINANCIAL STATEMENT	REFER TO CHAPTER 5
13	ANNEXURE C	AUDIT ACTION PLAN 2016/17	232-248

TABLE OF ACRONYMS

AG	Auditor-General
GGM	Grater Giyani Municipality
MDM	Mopani District Municipality
COMM	Communications Division
CWP	Community Works Programme
DMP	Disaster Management Plan
DoE	Department of Energy
DoHS	Department of Human Settlement
Strats	Strategic Planning and Local Economic Development
EMP	Environmental Management Plan
EPWP	Expanded Public Works Programme
FBW	Free Basic Water
FY	Financial Year
IDP	Integrated Development Plan
IGR	Intergovernmental Relation
LED	Local Economic Development
MFMA	Municipal Finance Management Act, No, 56 of 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPAC	Municipal Public Account Committee
MSIG	Municipal Systems Improvement Grant
MW	Municipal Wide
N/A	Not applicable
SLA	Service Level Agreement
PIA	Project Implementing Agent
PMS	Performance Management System
PMU	Project Management Unit
SCM	Supply Chain Management
SLP	Social and Labour Plan
SDBIP	Service Delivery and Budget Implementation Plan

GENERAL INFORMATION	
NAME OF ORGANIZATION	GIYANI MUNICIPALITY
TYPE OF ORGANAZATION	LOCAL GOVERNMENT/MUNICIPALITY CATEGORY B
PROVINCE	LIMPOPO
DISTRICT	MOPANI
REGISTERED ADDRESS	CIVIC CENTRE GIYANI MAIN ROAD GIYANI 0826
POSTALADDRESS	PRIVATE BAG X 9559 GIYANI 0826
TELEPHONE	015 811 5500
FAX	015 812 2068
EMAIL	INFO@GREATERGIYANI.GOV.ZA
WEBSITE	www.greatergiyani.gov.za
BANKERS	ABSA BANK LIMITED
AUDITORS	AUDITOR-GENERAL OF SOUTH AFRICA
MAYOR	CLR MATHEBULA SS
ACCOUNTING OFFICER \MUNICIPAL MANAGER	CHAUKE MM

LOCATIONAL MAP



CHAPTER ONE: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The Greater Giyani Municipality (GGM) hereby, in terms of Section 46 of Municipal System Act No. 56 of 2003 (MFMA), present to Council the draft 2017/18 Annual Report which outlines achievements and challenges for the year under review.

GGM is fully aware and committed to the fact that it needs to continuously search for mechanisms to identify its priorities, issues and problems in the quest for efficient and effective alternatives towards maximum and sustainable fulfilment of Council mandate as enshrined in the Constitution of the Republic of South Africa, Act 108 of 1996. The Municipality has engaged in a strategic planning session, as part of the Integrated Development Plan (IDP) review processes, and the current vision, mission and strategic objectives were reviewed and retained. This process of planning is guided by the following two (2) key national objectives:

- a) The need to set out the core principles, mechanisms and processes that give meaning to development, local governance and to empower the municipality to move progressively towards the social and economic upliftment of communities and the provision of basic services to all communities.
- b) The democratic imperative for local government to actively involve and engage communities.

This process, which in a way facilitates planning and delivery, should arrive at decisions on such issues as Municipal Budgets, Local Economic development and institutional transformation in a consultative, systematic and strategic manner. Noting that the IDP does not only inform municipal management, but also supposed to guide the activities of any agency from the other spheres of government, corporate service providers, NGO's and the private sector within the municipal area, the municipality embarked on a consultative process within very stringent timeframes to elicit the necessary input from various communities, to inform the compilation of this annual report. Emanating from this consultative engagement, the municipality was able to pick a basket of developmental issues which remain endowed to our communities ranging from roads, water, electricity, sanitation, housing, access to health facilities, sporting amenities, crime, unemployment etc.

These issues also find expression in the National Development Plan (NDP), the diagnostic document which points out that "while we have made some progress in reducing poverty, poverty is still pervasive. Millions of people remain unemployed and many working households live close to the poverty line".

Critical to the legislated parameters, is the Local Government Municipal Systems Act 32 of 2000, in particular, Chapter 5 which states that a municipality must undertake developmentally-oriented planning so as to ensure that it-

- a) Strives to achieve the objectives of local government set out in Section 152 of the Constitution;
- b) Give effect to its developmental duties as required by Section 152 of the Constitution.

For the municipality to monitor its performance for the realisation of projects and programmes outlined in the IDP, Chapter 6 of the Local Government Municipal Systems Act requires that all municipalities must develop a Performance Management System (PMS) which will monitor the implementation of the IDP. The municipality in line with this legislated imperative has developed an Annual Report which gives account of municipal performance in terms of its own set predetermined objectives which set targets that need to be achieved at the end of that Financial Year. The Annual Report also indicates challenges for targets that were not achieved and the reasons for such non-achievement.

These are some of the achievements for 2017/18 Financial Year:

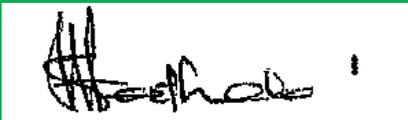
- ✓ Thomo Community Hall
- ✓ Nkomo B upgrading from gravel to tar

- ✓ Mbaula upgrading from gravel to tar
- ✓ Mzilela electrification
- ✓ Kheyi electrification
- ✓ Maswanganyi electrification

These were just few development highlights that the municipality is proud of delivering to our communities for the year under review. There were many projects which were also under-taken by other sectors which also contributed to the upliftment of the lives of our communities.

In conclusion the municipality is calling all the stakeholders to assist the municipality in ensuring that they form part of the planning and development of the municipality by taking part in all the initiatives the municipality is coming up with, by paying for services and participation in the IDP process.

Mayor : Cllr Sasavona Mathebula



Chapter One: Overview by the Municipal Manager

Component B: Executive Summary

1.1 OVERVIEW BY THE MUNICIPAL MANAGER

The Municipalities must develop an Annual report as regulated by section 46 of the Municipal Systems Act No.32 of 2000 and section 121 of the Municipal Finance Management Act No. 56 of 2003 and further as guided by MFMA circular 63 which came into operation on the 26th September 2012.

The purpose of an annual report as reflected on section 121 of MFMA is to:

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

All the municipalities are required to develop an Integrated Development Plan (IDP) for the term of Councils. An IDP/Budget Process Plan for the period under review was duly developed and approved by council. The IDP reflects the projects and programmes that the municipality hopes to achieve during this term. For its term in office, the Council has adopted development priorities. These include investment in infrastructure, promoting economic development, provision of electricity, etc. The IDP is revised annually. The GGM's priorities and projects are reflected in the IDP for 2017/2018. A Services Delivery and Budget Implementation Plan, which is an institutional score card, was developed and approved by the Executive Mayor.

The organizational performance score card in Chapter 03 of this Annual report provide, among other things, the key performance indicators, the target for each indicator, as well as the status of each indicator (whether achieved or not). Where targets have not been achieved, reason have been provided. It must be emphasized that many of the projects and programmes overlap into several financial years. Hence, some of the projects reflected in this Annual Report would have commenced in prior financial year.

The Audit Committee and Municipal Public Accounts Committee (MPAC) are key oversight committees to ensure the success of the institution. The Council is the ultimate decision making body. Portfolio Committees play a very important role in ensuring that the objectives of the council are achieved.

The Municipality has improved the development landscape and changed the lives of the Greater Giyani communities through infrastructure interventions such as tar roads and electricity connections. The provision of high mast lights in strategic crime hotspots will directly contribute in the reduction of crime in our communities. We have strengthened our commitment towards achieving our vision of realizing an environmentally sustainable development as we managed to obtain a license for a

waste disposal site. Our service delivery performance has also been boosted by the acquisition of graders which will enhance our road maintenance capacity and ease the movement of our residents.

The institutional capacity of GGM remains the central pillar of our service delivery enablers and we are currently constructing the second phase of the Municipal Administration Building to accommodate all our departments under one roof for efficient coordination of administration and above all, to offer convenient services to the citizenry of Greater Giyani. High vacancy rate remains a challenge due to limited financial resources and high-turnover of personnel, but the Municipality has managed to prioritize and fill critical positions, as we grapple with the realities of scarce skills in the job market.

In conclusion The Municipality has obtained an adverse audit outcome during 2016/17 financial year but have recorded improvements in asset management, revenue management, expenditure management and reduced an amount of paragraphs raised by AGSA. The municipality managed to improve the audit opinion to Qualified opinion in the 2017/18 financial year. There are still strategic risks which are embedded on the institution which must be mitigated. The Municipality needs to further improve on its project implementation and management strategy so that project expenditure can increase to 100% in 2018/19 financial year and can therefore realise its objectives.

ACKNOWLEDGEMENT

I would like to extend my appreciation to the Honorable Mayor, Executive Committee and Councilors for strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Acting Chief Financial Officers, Heads of Departments and other staff are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support.



**CHAUKE MM
MUNICIPAL MANAGER**

1.2 Municipal Functions, Population and Environmental Overview

1.2.1 Municipal Functions

FUNCTION	RESPONSIBLE DEPARTMENT	DEFINITION
Municipal Planning	Strategic Planning & LED	Development of the integrated development plan in terms of the municipal Systems Act, 32 of 2000.
Local Tourism	Strategic Planning & LED	The promotion, marketing and, if applicable, the development of any tourism attraction within the area of the municipality with a view to attract Tourist; to ensure access, and municipal services to such attraction, and to regulate structure and control
Markets	Community Services and Strategic planning and LED	The establishment , operations, management , conduct, regulations and / or control of markets other than fresh produce markets including market permits, location, times, conduct, etc.
Trading Regulations	Strategic Planning &LED	To regulate of any facility and /or activity related to the trading of goods and services within the municipal area not already regulated by National and provincial legislation
Municipal Parks	Technical Services and Community Services	The provision, management, control and maintenance of any land, garden or facility set aside for recreation, sightseeing and / or tourism and including playground, but exclude sport facilities.
Open places	Community Services	The management, maintenance and control of any or facility owned by the municipality for public use.
Noise pollution	Community Services	The control and monitoring of noise that adversely affects the well-being of human health or the eco-system that is useful to maintain, now or in the future.
Control of public nuisance	Community Services	The regulation, control and monitoring of any facility or activity.
Municipal Airport	Technical Services	A demarcation area on land or water or a building which is used or intended to be used, either completely or in part, for the arrival or departure of air craft which includes the establishment and maintenance of such a facility, including all infrastructure and services
Municipal Public Transport	Technical Services	The regulation and control and where applicable, the provision of: services for the carriage of passengers, whether scheduled, operated on demand along a specific route or routes or, where applicable, within a particular area.
Storm Water drainage	Technical Services	The Management Systems to deal with storm water in building-up areas.
Portable Water	Technical Services	The establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution; bulk supply to local supply.

Sanitation District function	Technical Services	The establishment, operation, management and maintenance and regulation of a system, including infrastructure, for the collection of human excreta and domestic waste-water to ensure minimum standard of service.
Refuse Removals, refuse dumps, solid waste disposable	Community Services	Removal of any household or other waste and the disposal of such waste in an area, space or facility established for such purpose, and include the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment.
Street Trading	Community Services	The control, regulation and monitoring of the selling of goods and services along a public pavement or road reserve.
Bill boards and the display of advertisements in public places	LED	The display of written or descriptive material, any sign or symbol or light that is not intended solely for illumination or as a warning against danger which: promotes the sale and / or encourages the used of goods and services found on the streets.
Amusement facilities/ beaches	Community Services	A public place for entertainment. The area for recreational opportunities and facilities along the sea shore available for public use and any other aspect in this regard which falls outside the competency of the National and provincial government.
Cemeteries, Funeral Palour a and crematoria	Community Services	The establishment, conduct, control facilities for the purpose of disposing of human and animal remains
Municipal Roads	Technical Services	The construction, maintenance and control of all public roads
Street Lighting	Technical Service	The provision and maintenance of lighting for the illumination of streets.
Local Amenities	Technical services	The provision, management, preservation and maintenance of any municipal place, land and building reserved for the protection of places or objects of scenic, natural, historical and cultural value or interest and the provision and control of any of such amenities.
Traffic and parking	Community Services	The management and regulation of traffic and parking within the area of the municipality including but not limited to the control over the operating speed of vehicles on municipal roads.
Municipal Public works	Technical Services	Any supporting infrastructure or services to empower a municipality to perform its functions
Building regulations	Technical Services	The regulation, through by-laws, of any temporary or permanent structure attached to, or to be attached to, the soil within the area of Jurisdiction of a municipality, which must at least provide for approval of building plans, building inspections.

1.2.2 Population

The total population is **256, 153** with a total number of households of **70535**. The municipality have **31 wards** grouped into 5 clusters. In most wards, the population exceeds 5000 people. In the past few years, the population has shown a slight increase. In the 2007 survey, the population was counted at **247 565** but according to the 2011 census, it has declined by almost **3000** people. The decline may be attributed to migration to other urban centers, such as Polokwane, Gauteng and Tzaneen in which the migrants search for better working conditions. But in 2016 community population survey has shown a slight increase by 0.14%.

Population by Wards

Ward	Male	Female	Total
1	3636	4636	8272
2	4531	5798	10329
3	4607	6123	10730
4	4411	5537	9948
5	4482	5652	10134
6	4663	5922	10585
7	3487	4468	7955
8	4704	5882	10586
9	3113	3934	7047
10	6363	7027	13390
11	8829	11119	19948
12	2432	3029	5461
13	4122	5161	9283
14	4172	5359	9531
15	4057	5390	9447
16	4487	5572	10059
17	3512	4419	7931
18	2045	2755	4800

19	4362	5494	9856
20	4583	5799	10382
21	3682	4761	8443
22	4464	5698	10162
23	3313	4072	7385
24	3305	4114	7419
25	3732	4605	8337
26	4326	6322	10648
27	5111	7384	12495
28	6214	8347	14561
29	10100	14200	24300
30	9432	13110	22542
TOTAL	107094	140473	244 217

1.2.3 Environmental Overview

The Greater Giyani municipality subscribe to the national environmental management act which means when we conduct our business as a municipality we are conscious of the fact that we need to adhere to the provision of the act. The vision of the municipality also makes specific reference to environmental sustainability as the core of our business.

(Section 152 of the constitution objects of local government) also prescribe to municipalities that they must ensure that communities lives in a safe and healthy environment. Our environment is characterized by different environmental factors e.g. climate, geomorphology, terrain and soil suitability.

There are some environmental challenges that the municipality is having which needs strong intervention from all stakeholders' e.g. illegal occupation of land (sensitive areas) deforestation, overstocking, veld fires and water pollution. This environmental challenge has serious impact in terms of sound environmental management practices that will ensure environmental sustainability as enshrined in our vision. GGM is currently implementing various projects that are in line with sustainable development and fight against phenomenon of global warming.

1.3 Service Delivery Overview

Great Giyani Municipality has the responsibility to provide services to the communities. For the year under review the municipality met the target on MIG projects within SDBIP. However the completion was at the planned targets not final completion since the projects are Multi- Year Projects. High mast lights were provided to communities where there is high crime rate in order for municipality to fight crime. Gravel Roads were upgraded to tar and Culvert bridges were also refurbished and other new culvert bridges were constructed

1.4 Financial Health Overview

Greater Giyani municipality has in the year under review enjoyed healthy financial status .This is supported by the fact that in the year 2017/18 the municipality was amongst the best in the province in terms of spending of municipal infrastructure grants. The municipality was able to spend all the allocated funds earmarked for MIG, for this reason provincial government allocated an additional amount (A bonus) of 17M as an incentive from National Treasury for spending all the money allocated for service delivery.The bonus was also spent in full. However the Municipality failed to spend the electricity grants(IENG) allocated to them,The roll over amounting to R5 465 566 was applied for and approved by National Treasury.

The municipality was implicated in the VBS Sagas. The municipality invested its surplus to the VBS mutual bank. This disabled the municipality because it lost its savings which could have been used to fund other projects and programs of the municipality. The municipality ended the financial year 2017/18 with a positive bank balance of R14 639 964 excluding the money invested with VBS.

The municipality has developed the revenue enhancement strategy that will improve the revenue generation in the municipality, the issue of revenue is one challenge that the municipality is currently facing.

1.5 Organizational Development Overview

The Municipality approved its Organizational Structure and the structure is aligned is with the IDP and the powers and functions to be conducted by the municipality, however there is a high vacancy rate of 38 %. Most of the vacancies were not funded. For the period under review the municipality managed to fill the position of the Municipal manager but battled to fill the positions of the position of the Director Strategic Planning and LED that has since been vacant from October 2015. The municipality is in the process of reviewing its organizational structure to make sure that the structure is realistic to the financial resources of the municipality and that critical positions are funded. The organizational structure will be reviewed with the 2018/19 IDP.

1.6 Auditor General Report

Legislation mandates that upon closure of the financial year the municipality must prepare Annual Performance Report and Annual Financial statements and submit to the Auditor General of South Africa for auditing. For the Financial Years 2016/17 the municipality obtained Adverse Audit Opinion. For Financial year 2017/18 the Municipality prepared and submitted the Annual Financial Statement and Annual Performance Report to the Auditor General of South Africa and the Municipality obtained Qualified Audit Opinion.

1.7 Statutory Annual Report Process

Greater Giyani Municipality established the performance management unit and reviewed its PMS Framework and PMS in order to manage performance of both the organization and its employees. The Quarterly organizational reports were compiled and submitted to Council. The Annual Performance report was also compiled and submitted to Council and Auditor General of South Africa for audit. The municipality also generated the Draft Annual Report and was submitted to Council by end of January. The Draft Annual Report was tabled before Council and later to MPAC to conduct public hearing of the Draft Annual Report. Management engaged for clarify seeking questions by MPAC. Oversight Report compiled on all issues and inputs raised by stakeholders. The Final Annual Report submitted to Council by end of March for adoption with recommendations by MPAC. The Final Annual Report then placed on municipal website, submitted to Auditor General, Treasury, COGHSTA and Legislature.

CHAPTER 2: GOVERNANCE

Component A: Political and Administrative Governance

2.1 Political Governance (PUBLIC PARTICIPATION)

Greater Giyani Council constitutes 62 Councilors, 31 Ward councilors and 31 **Propotional** Representatives. It is comprised of seven full time councilors that are the Mayor, the Chief whip, the Speaker, MPAC Chairperson, **Head** of Infrastructure Development, **Head** Budget and Treasury and **Head** Chairperson Corporate and Shared Services. Ward councilors' represents communities in wards they are voted in ensuring that service delivery is brought to the people. **Propotional** Representative play political roles in wards they are deployed together with respective ward councilors. Ward councilors and **Propotional** Representative Councilors both form council committees. They all attend quarterly arranged council meetings and monthly portfolio committee meetings and special meetings if arranged.

Political decision taking

Political decisions are taken based on administration report generated by management led by the accounting officer. The municipality consist six directorates namely; Office of the Municipal Manager; Community Services; Technical Services; Corporate Services; Budget and Treasury and Planning and Economic Development. Each of the six directorates is linked to portfolio committees which are chaired by politicians or councilors. Community Services Directorate is linked with Health & Social Development Portfolio Committee, Sports Recreation Arts & Culture and part of Public Transport and Roads.

Technical Services Directorate is linked with Water, Sanitation and Energy Portfolio Committee, Infrastructure Development Portfolio Committee and Public Transport and Roads. Corporate Services Directorate is linked with Portfolio Committee of Corporate and Shared Services. Budget and Treasury Directorate is linked with Finance Portfolio Committee. Planning and Economic Development directorate is linked with Portfolio Committee of Planning and Economic Development. All reports of portfolio committees originate from administration and after the portfolio committee has interrogated the report, such reports are recommended to Executive committee which with delegated powers the Executive Committee took decisions and other matters are referred to council as the council is the highest decision making body. The council established the **MPAC committee** which plays an oversight role on the functions of council as well as compliance to all applicable legislations. The council appointed the Audit C committee which assist, advice and alerting the municipality on issues of compliance

POLITICAL MANAGEMENT TEAM



Powers and functions of the mayor

- Promote the image of the municipality
- To ensure that the executive committee meetings performs its functions properly
- To lead and promotes social and economic development in the municipality
- To preside over public meetings and hearings
- To promote inter- governmental and inter institutional relations
- To ensure in consultation with the municipal manager, that a proper committee service responsible for:
 - The agendas minutes is in place for the executive and other committees and that they meet regularly.
 - Submit reports to the executive committee
 - To take responsibility for the quality and speed of decision making in the executive committee



SPEAKER: CLLR HLUNGWANI MP

The speaker of Municipal Council Must

- Preside at meetings of council
- Performs the duties and exercises the powers delegated to the speaker in terms of section 59 of The local Government: Municipal system Act, 2000 (Act 32 of 2000) :
- Must ensure that the council meets at least quarterly
- Must ensure compliance in the council and council committee with the code of conduct set out In schedule 1 to the local Government: Municipal system Act, 2000 (Act 32 of 2000) ; and must ensure that council meetings are conducted in accordance with the rules and orders of the council



CHIEFWHIP: CLLR MASHALE MR

Duties of the Chief Whip to Municipal Council:

- Political Management of Council meetings and Committee Meetings
- Maintains discipline of Councillors
- Advices the Speaker on the amount of time to be allocated to the speaker and the order of such speakers addressing the council
- Ensures that Councillors motions are prepared and timeously tabled in terms of the procedural rules of council.

EXECUTIVE COMMITTEE



Head of Finance
CLLR. Manganyi KA



Head of Public Transports & Roads
CLLR. Shibambu BA



Head of Sports, Arts & Culture
CLLR. Makhubele HW



Head of Infrastructure Development
CLLR. Baloyi TE



Head of Water, Sanitation
& Energy (CLLR. Mthombeni AM)



Head of Economic Development
CLLR. Mabunda EN



Head of Corporate & Shared Services
CLLR. Ndaba KHP



Head of Health, Social & Environmental
CLLR. Bilankulu JH



Exco member
CLLR. Mabulana P S

2.2 ADMINISTRATIVE GOVERNANCE

TOP ADMINISTRATIVE STRUCTURE Chauke MM MUNICIPAL MANAGER
Chief Financial Officer: Budget and Treasury Directorate Vacant
DIRECTOR: Mr Shiviti MT CORPORATE SERVICES DEPARTMENT
DIRECTOR: Technical Services Vacant
DIRECTOR: PLANNING AND ECONOMIC DEVELOPMENT Vacant
DIRECTOR: Khosa MI Community Services

For the period under review of 2017/2018 financial year three positions of section 54 and 56 managers were filled: Municipal Manager, Director Corporate Services and Director Community Services. The position of Chief Financial Officer, Director Planning and Economic Development and Director Technical Services were vacant.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

COMPONENT B: INTERGOVERNMENTAL RELATIONS

For the period under review the municipality participated in various Co- Operative Governance and Intergovernmental structures at all levels from the local sphere, district sphere, provincial and national sphere. Participation in such forums and IGR structures assisted service delivery in the sense that integration and alignment of various role players is realized to avoid the silo mentality existing in the public sector. While remarkable progress has been realized in IGR structures challenges still existed in the 2017/18 year with regard to the provision of reliable and accurate information from other public sector players and this affected the municipality 's planning especially the accuracy of the information in the IDP. Provision of progress in the implementation of sector departments within municipal boundaries is also still a challenge.

2.3 Intergovernmental Relations

NATIONAL INTERGOVERNMENTAL STRUCTURES

The municipality participates in national intergovernmental structures such as the following:

- National municipal manager's forum
- South African Local Government Association sessions including working groups

PROVINCIAL INTERGOVERNMENTAL STRUCTURES (PUBLIC PARTICIPATION)

The municipality participates in the following provincial intergovernmental structures:

- Premier-mayors' forum
- monitoring and evaluation forum (4 x per annum)
- provincial planning forum (3 x meetings)

-provincial municipal manager's forum (4x meetings)

DISTRICT INTERGOVERNMENTAL STRUCTURES

The municipality participated in the following District IGR structures during the period under review:

- District and Provincial Speakers Forum
- District and Provincial Mayors' Forum
- District and Provincial Chief whips Forum
- District and Provincial Municipal Manager's Forum
- District and Provincial CFOs Forum
- District and Provincial Planning Forum

- District and Provincial Monitoring and Evaluation Forum

The existence of the above IGR structures has assisted in the sharing of challenges, best practices and resource mobilization. Alignment of programs and standardization of activities were also achieved from the district IGR structures.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality also used its local IGR structures such as sector forums to ensure sector specific programs are aligned with those of other role players in the sectors. All forums were functional and holding their meetings, save for the Agricultural forum which was not functional.

- Energy forum
- Roads and Transport Forum
- Tourism Forum
- Agricultural forum
- Housing Forum

-Disaster Management Forum

COMPONET C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The Municipality established six clusters for public participation. Council meetings are held in public venues that are accessible to members of the public. Other forms of communication and public participation during the 2017\18 financial years include the usage of ward public meetings for the 31 wards wherein ward councilors provide feedback and progress report to ward members.

Apart from ward public meetings, the mayor is having Quarterly Mayoral Imbizos where issues raised by communities were captured and report compiled. Those that were related to the municipality were attended to and those related to sector departments were referred to relevant sector departments.

The municipal website and media house are also useful tools which the municipality employed to communicate with its stakeholders to cover the cyberspace community.

The Municipal Newsletter RITO is published quarterly to communicate municipal programs.

WARD COMMITTEE	FORUM
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WARD COMMITTEES

The municipality has a fully functional ward committee system. All the 31 wards have functioning ward committees with a total of 372 participants translating into 10 ward committee members for the 31 wards.

2.5 IDP PARTICIPATION AND ALIGNMENT

The IDP is reviewed annually and in-house. The IDP is reviewed in line with required standard and template and it is aligned to the budget. The IDP Process plan is developed and approved by council as the road map for the review of the IDP/Budget. The IDP Steering committee is responsible for the review of the IDP and Budget. The draft IDP/Budget is tabled before the council for public participation process to unfold to wards and the municipality

established six clusters for the purpose of the community accessibility and inputs. The IDP representative's forum where all the stake holders are represented is also conducted to interrogate the IDP document.

The other stakeholders that are consulted are the Traditional Authorities, NGO's, Businesses, Traditional Healers and Pastors' Fraternity. Inputs to the IDP are also submitted physically to the office of the accounting officer.

All the inputs and comments are consolidated and the report is developed based on the inputs. The process of prioritization takes place taking into account the available resources and capacity of the municipality.

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 54/56 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

COMPONENT D: OVERVIEW OF CORPORATE GOVERNANCE

For the 2017\18 financial year Greater Giyani Municipality took leaf from the King III report on good governance by including in its operations the functionality of risk function as well as the development and implementation of corruption and anti-fraud strategies. Risk register was developed and its focus was on Strategic Risks, Operational Risks and Human Resources risks.

Through IGR the municipality used the Premier and Presidential hotlines to track areas of non-compliance to its corporate governance matters.

2.6 RISK MANAGEMENT

The Municipality regards risk management as one of the pillars required for the sustainability and corporate management. In compliance with the MFMA which S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. For financial year 2017\18 the municipality had a dedicated risk unit to deal with risk matters. Risk assessment sessions were conducted with the assistance of the provincial Treasury and COGHSTA to help the municipal management with the identification and profiling of risks within the municipality.

Top five risks identified are the following:

- High staff turnover
- Under collection of revenue
- Dilapidated/ageing infrastructure
- Environmental degradation
- Insufficient land for development

2.7 Anti-Corruption and Anti-Fraud AND ANTI-CORRUPTION STRATEGY (RISK/LEGAL)

The municipality has a Fraud and corruption policy as well as Risk Management Policy in place. Risk Management Unit has been established and is has two personnel, the Senior Risk Officer, and Risk Manager.

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

During the 2017\18 financial year the Supply Chain Management policy was tabled to council for revision alongside other budget related policies. The revision took into account the BBBEEE codes and changing supply chain regime. .

2.9 By laws-New By –Laws introduced in 2017/18

No new By –Laws were introduced during 2017/18 FY

2.10 WEBSITES (ICT)

Municipal website: content and currency of material		
Documents published on the municipality's /entity's website	Yes/No	Publishing date
Current annual and adjustment budgets and all budget related documents	YES	29/05/2017
All current budget related policies	YES	29/02/2017
The previous annual report (2016/17)	YES	03/02/2017
The annual report (2017/18) published / to be published	NO	To be published
All current performance agreements required in terms of section 54/56 (1) (b) of the MSA and resulting score cards	YES	20/11/2017
All service delivery agreements (2017/18)	YES	
All long term borrowing contracts (2016/17)	YES	
All supply chain management contracts above a prescribed value (give value) for 2017/18	YES	
An information statement containin a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2017/18		
Contracts agreed in 2017/18 to which subsection (1) of section 33 apply, subject to subsection (3) of that section		
PPP agreements referred to in section 120 made in 2017/18	YES	
All quartely reports tabled in the council in terms of section 52 (d) during 2017/18	YES	Within 7 days of tabling in Council

MUNICIPAL WEBSITE CONTENT AND ACCESS

Most of prescribed key website content material were placed on the municipal website such as IDP, Budget, Annual Report, Performance Agreements, Budget related policies, Adverts for tenders and Adverts for Vacancies

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES (PUBLIC PARTICIPATION TO CONFIRM STATUS QUO)

PUBLIC SATISFACTION LEVELS

No formal public participation surveys were conducted during the period under review. The municipality relied on public participation sessions referred to above, as well as the usage of the Premier and Presidential Hotlines to gauge the level of satisfaction and \ dissatisfaction with municipal services.

Key general areas of dissatisfaction include:

- state of roads conditions (Tarred Roads)
- water
- health and education services (Clinics, Hospitals and Schools)
- unemployment
- RDP houses

CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

3.1 WATER PROVISION

3.1.1 INTRODUCTION TO WATER PROVISION

The Water Services Act 108 of 1997 provides that all residents have a right to access of Water. Mopani District Municipality has been issued with a Licence to become the Water Services Authority for all its Local municipalities, in terms of the National Water Act 36 of 1998. It has appointed such Local Municipalities to become its Water Services Provider whereby a Budget for Operations and Maintenance is allocated to ensure that the Water Infrastructure is well functional. New Water Infrastructure projects remain the responsibility of the District Municipality. The report below provides information in terms of Households with water services and those that still remain with the backlog the municipality.

Employees: Water Services									
Job Level	2015/16		2016/17			2017/18			
	Employees No.	Posts No.	Employees No.	Vacancies fulltime equivalence) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies fulltime equivalence) No.	Vacancies (as a % of total posts) %
0-3	0		0	0	0%	0	0	0	0%
4-6	1		0	0	100%		0	0	0%
7-9	4		1	0	100%	5	0	1	80%
10-12	1		4	1	0%	1	0	1	100%
13-15	8		1	9	0%	9	17	1	89 %
	0		9	0	N/A	N/A	N/A	N/A	N/A
19-20	0		0	0	N/A	N/A	N/A	N/A	N/A

Total	14	15	10	15	17	3
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3.2 WASTE WATER (SANITATION)

Sanitation Service Delivery Levels			
Households			
Description	2015/16	2016/17	2017/18
	Outcome No.	Actual No.	Outcome No.
Sanitation/sewerage; (above minimum level)	6430	6430	6430
Flush toilet (connected to sewerage)			
Flush toilet (with septic tank)	6430	6430	6430
Chemical toilet			
Pit toilet (ventilated)			
Other toilet provisions (above min. service level)			
Minimum service level and above sub-total			
Minimum service level and above percentage			
Sanitation/sewerage; (below minimum level)			
Bucket toilet			
Other toilet provisions (below min service level)			
No toilet provisions			
Below Minimum service level sub-total			
Below Minimum service level percentage			
Total Households			

Households; Sanitation service delivery levels below the minimum Households							
Description	2015/16	2016/17			2017/18		
	Actual No.	Original Budget No.	Adjustment Budget No.	Actual No.	Original Budget No.	Adjustment Budget No.	Actual No.
Formal Settlements	55922	55922	55922	55922	55922	55922	55922
Total Households							
Households below minimum service level							
Proportion of households below minimum Service level							
Informal Settlements							
Total Households							
Households below minimum service level							
Proportion of households below Minimum service level							

Employees: Sanitation Services 2017/18					
Job Level					
	Employees	Posts	Employees	Vacancies (fulltime equivalent)	Vacancies (as a % of total posts)
	No.	No.	No.		%
0-3		0	0	0	0%
4-6		0	0	0	0%
7-9		2	2	2	100%
10-12		1	1	1	100%
13-15		10	10	10	100%
16-18		0	0	0	0%
19-20		0	0	0	0

Total	13	12	13	%
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Employees: Electricity Services									
Job Level	2015/16		2016/17		2017/18				
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3		1	0	1	100%	1	0	1	100%
4-6		1	0	1	100%	1	1	0	0%
7-9		5	2	3	40%	4	3	1	75%
10-12		0	0	0	0%	0	0	0	0%
13-15		4	3	1	25%	4	4	0	0%
16-18		0	0	0	0%	0	0	0	0%
19-20		0	0	0	0%	0	0	0	0%
Total						13	8	0	

Financial performance 2015/16,2016/17 and 2017/18 Electricity Services									
R`000									
Details	2015/16		2016/17		2017/18				
	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	Original Budget	Adjustment Budget
Total operational revenue (excluding tariffs)									
Expenditure	7476	8161	17750	9630	9 309	10532	296	24060	27088
Employees	1536	1517	2346	1599	1811	2951	11	2927	2962
Repairs and Maintenance		815	0	2000	1987	1225	-175	2000	1400
Other									
Total operational Expenditure	10512	10493	20096	13229	13107	22117	9614	28987	31450

**Net Operational
(service) expenditure**

Capital Expenditure 2017/18 and 2017/18; Electricity Services R`000									
Capital Projects	2016/17				2017/18				Total project value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All									
electricity reticulation		12287			21500	24318	16208	5292	

WASTE MANAGEMENT (THIS SECTION INCLUDES: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Greater Giyani Municipality Collect refuses from residential units in all townships, Businesses, Schools, Churches and industrial. Litter picking is conducted in all main roads, internal streets and CBD. The municipality currently has one waste disposal site in use.

Solid waste service delivery levels			
Description	2015/16	2016/17	2017/18
	Actual No.	Actual No.	Actual No.
Solid waste removal: (minimum level) Removed at least once a week Minimum service level and above sub-total	7609	7609	7609 in townships 10955 in rural areas Total: 18564
Minimum service level and above percentage	48 weeks per annum(once per week)	48 weeks per annum(once per week)	48 weeks per annum(once per week)

Solid waste removal: (below minimum level)	Refuse collected once per week using	Refuse collected once per week	Refuse collected once per week
Removed less frequently than once a week	All General Waste Disposed at a municipal disposal site Refuse is collected on a daily basis in the CBD	All General Waste Disposed at a municipal disposal site Refuse is collected on a daily basis in the CBD	All General Waste Disposed at a municipal disposal site Refuse is collected on a daily basis in the CBD
Using communal refuse dump			10955 Household in rural area
Using own refuse dump			
Other rubbish disposal	Backyard refuse collection in rural area	Backyard refuse collection in rural area 1	Backyard refuse collection in rural area
No rubbish disposal			
Below minimum service level sub-total		12%	29%
Below minimum service level percentage	7609	7609	7609
Total number of households			

Households: solid waste service delivery levels below the minimum						
Households						
Description	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal settlements				4,300.000	4.400.000	
Total households	7609	7609	7609			
Households below minimum service level						
Proportion of household below minimum service level						
Informal settlements						
Total households					51972	
Households below minimum service level						
Proportion of household below minimum service level						

<i>Employees; solid waste management services</i>										
Job Level	2015/16	2016/17				2017/18				
	Employee No.	Posts No.	Employees No.	Vacancies equivalent) No.	(fulltime	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %
0-3		1	1	0		0%	1	1	0	0%
4-6		7	2	5		71%	2	2	2	100%
7-9		2	0	2		100%	1	1	1	100%
10-12		12	10	2		16%	12	8	4	50%
13-15		72	31	41		56%	30	26	4	85%
16-18		0	0	0		0%	0	0	0	0%
19-20		0	0	0		0%	0	0	0	0%
Total		94	44	50			46	38	11	

Financial performance 2014/15; 2015/16,2016/17Refuse solid waste management services									
Details	2015/16		2016/17			2017/18			
	Actual	Original Budget	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	Original Budget	Adjustment Budget
Total operational revenue	3832	3956	3962	3905	3741	4435	2	4310	4437
Expenditure;	313	3360	3251	4180	3670	359	221	620	580
Employees	3117	3650	3807	4574	3904	7096	499	8122	7595
Repairs and maintenance		70	109	250	120	300	50	300	250
Other									
Total operational expenditure	3430	7080	7167	9004	7694	7755	670	9042	8425

Net operational (service) SURPLUS	402	-3124	-3205	402	-3953
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Capital expenditure; 2017/18; waste management services (COMMUNITY SERVICES)
R`000

Capital Projects	2016/17					2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All	3300	1000								
Project A	3300	1000								
Project B										
Project C										
Project D										

ROLL OUT A

ND BACKLOGS

WARD	AVAILABLE	BACKLOG
1	Unstructured services	Blinkwater, Ximausa, Noblehoek
2	0	Phikela, Rivala, Maxavela, Mavhuza
3	0	Babangu, Ndengeza RDP, Ntshunxi
4	0	Basani, Dingamazi, Shimange, Maswanganyi, Bode
5	0	Sifasonke, Zamani, Mapuve
6	0	Gon'on'o, Hlaneki, Gandlanani, Khani
7	0	Siyandhani, Dzingizingi
8	0	Nwamankena, Sekhimini, Botshabelo
9	0	Mapayeni, Homu
10	0	Nkomo C, Nkomo B, Homu 14B
11	Giyani E,D1	0

12	Giyani A	Homu 14 C
13	Giyani D2 and Giyani F	0
14	Unstructured services	Makosha, Shikukwani
15	Unstructured services	Nwazekudzeku and Shivulani
16	Unstructured services	Mninginisi B2 and B2
17	Unstructured services	Thomo, Mhlava-Willem
18	Unstructured services	Gawula, Khakhala, Muyexe
19	Mahlathi unstructured services	Hlomela, Ndindani, Mahlathi, Vuhehli, Nwakhuwani
20	0	Bonwani, Mavalani, Mbatlo
21	Krematart, Ngove unstructured service	Ngove, Kremetart
22	0	Shawela RDP, Shawela, Shikhumba
23	0	Mbhedle, Guwela, Kheyi, Mushiyani, Nsavulani
24	0	Bambeni, Mageva, Mnghonghoma, Loloka
25	0	Daniel, Ndhambhi, Mageva RDP
26	0	Maphata, Sikhunyani, Nkomo
27	0	Mayephu, Mzilela, Matsotsosela, Xitlakati, Khaxani
28	0	Mphagani, Zava
29	0	Makhuva, Mbaula, Phalaubeni
30		Tomu, Nghalalume
TOTAL		

3.4.1 CHALLENGES

There is a huge backlog of the refuse removal service as the service is yet to be extended to rural communities. Lack of proper waste management infrastructure is also a challenge as waste disposal is not meeting the minimum requirements for safe disposal of waste. The municipality also does not have sufficient funds to can initiate recycling initiate. There is also ageing staff and shortage of employees as a result the municipality relies on contract workers to render the waste management service.

3.4.2 INTERVENTIONS

Site acquired for the development of new landfill site. Buyback Centre constructed to support recycling initiatives. Budget set aside under the EPWP Programme to appoint personnel on a contract basis to work on waste the report include only sport centers build by the municipality.

THE TABLE BELOW REFLECTS AVAILABILITY AND BACKLOG OF STANDARD SPORTS FACILITIES WITHIN WARDS

WARD	AVAILABLE	BACKLOG
1	0	Blinkwater, Ximawusa, Noblehoek
2	Mavhuza	Rivala, Phikela, Mashavela
3	0	Babangu, Nden'eza RDP, Ntshuxi
4	0	Basani, Dingamazi, Shimange, Silawa, Maswanganyi, Bode
5	0	Sifasonke, Zamani, Mapuve
6	Khani	Gon'on'oo, Hlaneki, Gandlanani
7	0	Siyandhani, DzingiDzingi
8	0	Nwamankena, Sekhimini, Botshabelo
9	0	Homu 14 A, Mapayeni
10	Homu 14B	Nkomo B, Nkomo C
11	Section E	Giyani D1
12	Giyani A	Homu 14C
13	0	Giyani D2, Giyani F
14	0	Makosha, Shikukwani
15	Shivulani	Nwazekudzeku
16	0	Mninginisi B3, Mninginisi B2
17	0	Thomo, Mhlava Willem
18	Gawula, Muyexe	Khakhala
19	0	Hlomela, Ndindani, Mahlathi, Vuhehli, Nwakhuwani
20	0	Bonwani, Mavalani, Mbatlo
21	0	Ngove, Kremetart
22	Shawela	Shawela RDP, Shikhumba

23	0	Mbhedle, Guwela, Kheyi, Mushiyani, Nsavulani
24	0	Bambeni, Mageva, Mnghonghoma, Loloka
25	0	Daniel, Ndhambhi, Mageva RDP
26	0	Maphata, Sikhunyani, Nkomo A
27	Mzilela	Mayephu, Matsotsosela, Khaxani, Xitlakati
28	0	Mphagani, Zava
29	0	Makhuva, Mbaula, Phalaubeni
30	0	Tomu, Nghalalume
TOTAL		

The reporefects only halls build by the municipality. Excluded are privately owned halls and those built by other sector departments.

**THE TABLE BELOW REFLECTS THE AVAILABILITY AND BACKLOG OF COMMUNITY HALLS WITHIN WARDS
WARD COMMUNITY HALLS**

WARD	AVAILABLE	BACKLOG
1	0	Blinkwater, Ximawusa, Noblehoek
2	0	Rivala, Phikela, Mashavela, Mavhuza
3	0	Babangu, Nden'ezza RDP, Ntshuxi
4	0	Basani, Dingamazi, Shimange, Silawa, Maswanganyi, Bode
5	0	Sifasonke, Zamani, Mapuve
6	0	Gon'on'o, Hlaneki, Gandlanani, Khani
7	0	Siyandhani, Dzingidzingi
8	0	Nwamankena, Sekhimini, Botshabelo
9	0	Homu 14 A, Mapayeni
10	0	Nkomo B, Nkomo C, Homu 14 B
11	Giyani Community Hall	Giyani E, Giyani D1
12	0	Giyani A, Homu 14C
13	0	Giyani D2, Giyani F

14	0	Makosha, Shikukwani
15	0	Shivulani, Nwazekudzeku
16	0	Mninginisi B2,Mninginisi B3
17	0	Thomo, Mhlava Willem
18	0	Gawula, Muyexe, Khakhala
19	0	Hlomela, Ndindani, Mahlathi, Vuhehli, Nwakhuwani
20	0	Bonwani, Mavalani, Mbatlo
21	0	Ngove, Kremetart
22	0	Shawela RDP, Shikhumba
23	0	Mbhedle, Guwela, Kheyi, Mushiyan, Nsavulani
24	0	Bambeni, Mageva, Mnghonghoma, Lolok
25	0	Daniel, Ndhambhi, Mageva RDP
26	0	Maphata, Sikhunyani, Nkomo A
27	0	Mzilela, Mayephu, Matsotsosela, Khaxani, Xitlakati
28	0	Mphagani, Zava
29	0	Makhuva, Mbaula, Phalaubeni
30	0	Tomu, Nghalalume
Total		

3.5 Housing

The powers and functions for the provision and construction of housing lies with the provincial government under the Department of Co-operative Governance, Human Settlements and Traditional Affairs. The role of the municipality is to identify housing demands needs through the development of the Housing Chapter and identification of beneficiaries. For the 2017\18 financial year a total of 700 houses were allocated to Greater Giyani Municipality and the Construction is ongoing. The implementing agent was the Department of Co-operative Governance, Human Settlements and Traditional Affairs.

No municipal entity renders the service on behalf of the municipality.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Free basic services to low income households										
Number of households										
	Total	Households earnings less than R1.100 per month								
		Free basic water			Free basic sanitation		Free basic electricity		Free basic refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2015/16		1300					14162	94.4%		
2016/17		1300					14074	89%		
2017/18		1300					15500	86.88%		

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

COMPONENT B: ROADS AND TRANSPORT

3.7 INTRODUCTION TO ROADS

Gravel road infrastructure Kilometers				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2015/16	608	None	-	1848
2016/17	608	None	7.3 KM	2376
2017/18	608	None	12.8 KM	3432

Asphalted Road Infrastructure					
	Total Asphalted roads	New asphalt roads	Existing asphalt roads re-asphalted	Existing asphalt roads re-sheeted	Asphalt roads maintained
2016/17	6251 M2	7.3 KM	86.3 KM	-	6251 M2
2017/18	22 800 m2	12.8 KM	99.1 KM	4.6 KM	22 800 M2

Employees: roads services									
Job level	2015/16		2016/17		2017/18				
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3		1	1	0	0%	1	1	0	0%
4-6		1	1	1	0%	1	0	1	100%
7-9		4	0	0	100%	2	0	2	100%
10-12		20	12	8	40%	17	15	3	80%
13-15		33	28	15	84%	33	18	15	17%
16-18		0	0	0	0%	0	0	0	0%
19-20		0	0	0	0%	0	0	0	0%
Total		59	42	17	28.8%	54	34	20	

Financial performance 2015/16,2016/17 and 2017/18: road services									
R`000									
Details	2015/16		2016/17			2017/18			
	Actual	Original budget	Actual	Variance to Budget	Adjustment Budget	Actual	Original Budget	Adjustment budget	
Total operational revenue (excluding tariffs)									
Expenditure:	4126	1730	2849	119		260	350	230	
Employees	4217	4770	4718	-185	5752	83	7244	5835	
Repairs & Maintenance	8571	10000	5091	-1917	2182	4918	11000	7100	

Other									
Total operational expenditure	16914	16500	12658	1983		5261	18594		13165
Net operational (service) expenditure	16914	16500	12658	1983		5261	18594		13165

Capital expenditure 2016/17 and 2017/18 Road Services										
R`000										
Capital Projects	2016/17				2017/18					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total all										
MBAULA ROAD	-	-	-	-		2100	8836	8389	447	
HOMU ROAD	-	-	-	-		500	7500	6773	727	
<i>MAKOSHA ROAD</i>	-	-	-	-		500	7835	9810	1975	
GIYANISECTION F PHASE 3 ROAD	-	-	-	-		6254	2212	8102	5890	
GIYANISECTION F PHASE 4 ROAD	-	-	-	-		1000	0			
BODE ROAD	-	-	-	-		13941	21755	15307	6448	
51 HIGH MAST LIGHTS		466	1276	810		0	669	587	82	
Other capitals										

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT

The municipality has a fully established licensing unit with the vehicle testing station, driver's license testing center and registering authority. However these functions belong the Department of Transport , therefore the municipality operates under Service Level Agreement.

The municipality also has a law enforcement and traffic services unit responsible for speed checks, scholar patrols, traffic escorts and pound services amongst other duties. Majority of the Greater Giyani Municipality Residents rely on public transport, this evident is by the number of buses and taxis on our roads. Masingita Group of Company is in the process of deloping bus rank and taxi off laoding zone next to Masingita Reginal Mall.

**PUBLIC TRANSPORT
STATUS OF TAXI RANK FACILITIES**

LOCATION	STATUS	DESTINATIONS
Old Spar	Operational	Bushbuckridge, Polokwane, Tzaneen and Phalaborwa, Witbank
Shoprite	Operational	Malamulele
New Boxer Supermarket	Operational	Mooketsi, Vuhehli, Gawula
OBC(Main Taxi Rank)	Operational	Phalaborwa, Acornhoek, Tzaneen, Polokwane, Pretoria, Rustenburg, Johannesburg

PUBLIC TRANSPORT CHALLENGES

The major challenge experienced by the municipality is the lack of space for loading of passengers. The municipality currently does not have integrated transport plan which would then be integrated plan of the municipality

3.9 WASTE WATER (STOMWATER DRAINAGE)

COMPONENT C: PLANNING AND DEVELOPMENT

3.10 PLANNING

Applications for Land Use Development									
Detail	Formalization of Townships				Rezoning			Built Environment	
	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18
	0	1	1	4	5	11	0	0	0

Financial performance 2015/16,2016.17 and 2017/18: Planning services									
R`000									
Details	2015/16		2016/17			2017/18			
	Actual	Original budget	Actual	Variance to Budget	Adjustment budget	Actual	Original Budget	Variance	Adjustment budget
Total Operational Revenue	437	428	511	75			656	5	549
Expenditure:	678	2650	1045	-765			240	11	895
Employees	6388	7205	6068	49			7273	337	7486
Repairs & Maintenance						0	0	0	0
Other	1298	1000	0	1000		0	0	0	0
Total Operational Expenditure	8364	10855	7113	284		2813	7513	326	8381
Net operational (service) expenditure	-7927	-10427	-6602	-5423		- 2377	7513	321	7832

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Employees: Local Economic Development Services									
Job level	2015/16		2016/17			2017/18			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3		1	1	0	0%	1	1	0	0%
4-6		12	0	12	100%	2	0	2	100%
7-9		0	0	0	0%	0	0	0	100%
10-12		8	4	4	50%	6	4	4	20%
13-15		0	0	0	0%		0	0	0%

16-18	0	0	0	0%	0	0	0	0%
19-20	0	0	0	0%	0	0	0	0%
Total	21	5	16	76.19	9	5	6	

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The Local Economic Development unit has managed to exposed the SMMEs to the markerts for 2017/2018 financial year.

COMPONENT D: COMMUNITY & SOCIAL SERVICES

Capital expenditure 2016/17 and 2016/17: community Services R`000										
Capital Projects	2016/17					2017/18				
	Budget	Budget	Adjustment Budget	Actual Expenditure	Total project value	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
MAGEVA SPORTS CENTRE	-	-	-	-		10000	7675	7716	41	
SECTION E SPORTS CENTRE	6000	4241	3426	815		2355	2075	1821	254	
REFURBISHMENT OF SHIVULANI SPORTS CENTRE	4000	7470	6357	-1113		3800	5917	4767	1150	
REFURBISHMENT OF SPORTING FACILITY (GAWULA)	500	3516	3164	-352		3800	5825	4890	935	

REFURBISHMENT OF GIYANI STADIUM AND SECTION A TENNIS COURT	-	-	-	-	3800	5553	3225
REFURBISHMENT OF GIYANI ARTS AND CULTURE CENTRE	-	-	-	-	500	1216	150
REHABILITATION OF DUMPING SITE	-	-	-	-	5000	7523	524
Project D							

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATERS, ZOOS, ETC)

The municipality has five functional community libraries. One library is under construction at Mavalani village.

3.13 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETERIES & CREMATORIUMS

The municipality has one cemetery under its control; the number of cemeteries under the control of the traditional authorities is yet to be audited. There is also no crematorium within the jurisdiction of the municipality.

Employees: Cemeteries and Crematoriums									
Job level	2015/16		2016/17		2017/18				
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %
0-3		1	1	0	0%	0	0	0	100%
4-6		3	1	2	66.66%	1	1	0	0%
7-9		0	0	0	0%	1	1	0	0%
10-12		3	2	1	33.33%	3	2	1	67%

13-15	41	26	15	36.58%	40	11		50%
16-18	0	0	0	%	0	0	0	100%
19-20	0	0	0	%	0	0	0	100%
Total	46	29	18	39.13%	45	24	21	

Capital expenditure 2015/16 and 16/17 Cemeteries and Crematoriums										
Capital Projects	2016/17					2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total all	1000	3093	2728	365						
REFURBISHMENT OF GIYANI CEMENTRY	1000	3093	2728	365						
Project D										

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS OVERALL:

The municipality is experiencing a challenge of space for the development of future cemetery site since most of the available land is under the control of the traditional leadership. Cemetery By-laws are currently under review to include clauses which will help the municipality to save space. There are no security personnel deployed and vandalism is taking place. There is no provision of water in the cemetery the jojo tank has been damaged due to vandalism.

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

INTRODUCTION TO CHILD CARE; AGED CARE AND SOCIAL PROGRAMMES

The municipality has coordinators who focus on social programs such as HIV and AIDS, Women and Children, Youth, Old age, Gender and Disability. There are also several forums such as the Aids council and technical committee, Men's forum, Disability's forum and gender forum which champion the interest of these social sectors. At the core of it is that the oversight monitoring is done through the Health and Social Development Portfolio Committee. The municipality works closely with provincial and district departments that deal with social issues such as the Department of Social Development, Department of Health, South African Police Services and Chapter Nine institutions such as Human Rights and Gender Commissions as well as non-governmental organisations.

COMPONENT E: ENVIROMENTAL PROTECTION

The municipality is working together with DEA and LEDET to raise awareness on the need for Environmental Protection.

3.15 POLLUTION CONTROL

The municipality has a functional waste management services, providing refuse removal services to the Giyani township households once per week and daily in the CBD. Due to capacity challenges, the municipality is yet to extend waste management services to rural villages. The municipality is currently developing a landfill site and rehabilitating the current waste disposal site in compliance to the National Environmental Management: Waste Act and the GN No.636 National Norms and Standards for Disposal of Waste to landfill.

3.16 BIO-DIVERSITY; LANDSCAPE; (INCL.OPEN SPACES)

GGM works jointly with DEA and LEDET to ensure biodiversity conversation construction in line with the climate change response strategy of the Province. There are also municipal community parks that are well maintained, though there is a challenge of vandalism in the parks.

COMPONENT F: HEALTH

The clinics and ambulance services are rendered by the provincial department of Health and Social Development.

COMPONENT G: SECURITY AND SAFETY POLICE, FIRE AND OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

The Police and Fire services are rendered by the provincial department and National Department. And fire rendered by the District Municipality. **The municipality has animal pound station to be used for impoundment of animals. The development of by-laws for keeping of animals to deal with licensing and control of animals is in progress.**

Financial performance 2015/16, 2016/17 and 2017/18: Traffic R`000								
Details	2015/16		2016/17		2017/18			
	Actual	Original budget	Actual	Variance to Budget	Actual	Original budget	Variance	Adjustment Budget
Total operational revenue	3755	5 547	4835	-654	4937	7400	5605	5790
Expenditure:	87	130	45	-45	1235	120		120

Police Officers								
Other Employees	9708	10385	10669	137	10897	14273	104	12572
Repairs & Maintenance					25	70	422	60
Other								
Total operational expenditure	9795	10515	10714		12157	14463	33	12752
aNet operational (service) expenditure	-6040	-4968	-5879	746	-7220	14463	559	12752

COMPONENT H: SPORT AND RECREATION (COMMUNITY SERVICES)

INTRODUCTION TO SPORT AND RECREATION

The municipality currently has 10 sports canters and 3 developed parks to be used for sporting and recreational purposes. The Municipality promotes sporting in local communities through the sport development programmed by providing identified beneficiaries with sports equipment. E.g. kits, balls and funds. The municipality also runs an annual mayor's cup to assess the progress with regard to sports development with the assistance of the local sports confederation, The report include only sport centers build by the municipality.

3.17 SPORT.

THE TABLE BELOW REFLECTS AVAILABILITY AND BACKLOG OF STANDARD SPORTS FACILITIES WITHIN WARDS

WARD	AVAILABLE	BACKLOG
1	0	1
2	1	0
3	0	1
4	0	1
5	0	1
6	1	0
7	0	1
8	0	1

9	0	1
10	1	0
11	0	1
12	1	0
13	0	1
14	0	1
15	1	0
16	0	1
17	1	0
18	1	0
19	0	1
20	0	1
21	0	1
22	1	0
23	0	1
24	0	1
25	0	1
25		
26	0	1
27	1	0
28	0	1
29	0	1
30	0	1
TOTAL		

3.18 RECREATION

The report reflects only halls build by the municipality. Excluded are privately owned halls and those build by other sector departments.

THE TABLE BELOW REFLECTS THE AVAILABILITY AND BACKLOG OF COMMUNITY HALLS WITHIN WARDS WARD COMMUNITY HALLS

WARD	VAIABLE	BACKLOG
1	0	1
2	0	1
3	0	1
4	0	1
5	0	1
6	0	1
7	0	1
8	0	1
9	0	1
10	0	1
11	1	0
12	0	1
13	0	1
14	0	1
15	0	1
16	0	1
17	0	1
18	0	1
19	0	1
20	0	1
21	0	1
22	0	1
23	0	1
24	0	1
25	0	1
26	0	1
27	0	1
28	0	1
29	0	1
30	0	1
Total		

Employees: Sport and Recreation											
Job level	2015/16		2016/17				2017/18				
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.
0-3		1	1	0	0%	0	0	0			100%
4-6		6	2	4	66.7%	1	1	0			0%
7-9		0	0	0	0%	1	1	0			0%
10-12		3	1	2	66.7%	1	1	0			0%
13-15		50	15	35	70%	50	35	15			57%
16-18		0	0	0	0%	0	0	0			0%
19-20				0	0%	0	0	0			0%
Total		60	19	41	68.3%	53	38	15			%

3.18.1 CHALLENGES

There is underutilization of most sport centers that are situated in rural villages. This is an indication that more still need to be done in terms of receiving and developing various sporting codes within the municipality.

The municipality is experiencing challenge of vandalism on its infrastructure in particular sporting facilities. There is also not adequate budget for maintenance of these facilities, as a result some of this facilities are getting dilapidated. Another challenge is that of shortage of personnel to maintain and monitor these facilities.

3.18.2 INTERVENTIONS

The municipality to appropriately develop a program of sporting codes and engage all Ward Councillors and Traditional leaders with regards to sport development to maximize the utilization of sport centers. The municipality increases the budget for personnel.

INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

COMCOMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.19 INTRODUCTION TO CORPORATE POLICY OFFICES, EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

Financial performance 2015/16,2016/17 and 2017/18 The Executive and Council										
R`000										
Details	2015/16			2016/17			2017/18			
	Actual	Original budget	Adjustment budget	Actual	Variance to budget	to Actual	Original Budget	Variance to budget	to Adjustment Budget	
Total operational revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expenditure:	7554	9596	9431	9067	-364	10127	19525	-8209	18775	
Other Employees	22171	22 189	21046	22 610	1564	19580	6460	117	6110	
Repairs & Maintenance										
Other										
Total operational expenditure	29725	31785	30477	31677	1200	29707	25985	-8092	24885	
Net operational (service) expenditure	-29725	-31785	-30477	-31677	-1200	-29707	-25985	-8092	-24885	

3.20 FINANCIAL SERVICES

Debt recovery								
Details of the types of account raised and recovered	2015/16		2016/17		2017/18			
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Billed in year	Estimated outturn for accounts billed in year	Estimated proportion of accounts billed that were collected %
Property Rates	11271	42%	30 675 862			33 865 255		
Electricity – B	0	0	0					
Water – B	0	0	0					
Water – C	0	0	0					
Sanitation	0	0	0					
Refuse	3831	100%	3 953	4,236,874	%	4,472 542		
B-Basic, C-Consumption. See chapter 6 for the Auditor General`s rating of the quality of the financial Accounts and the systems behind them								

Employees: Financial Services									
Job Level	2015/16		2016/17		2017/18				
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %

0-3	1	1	0	0%	5	5	0	0%
4-6	5	4	1	20%	26	18	8	56%
7-9	1	1	0	0%	1	1	0	0%
10-12	29	11	18	62%	35	19	16	16%
13-15	0	0	0	0%	1	1	0	0%
16-18	0	0	0	0%	0	0	0	0%
19-20	0	0	0	0%	0	0	0	0%
Total	36	17	19	52.85%	67	44	24	

Financial performance 2015/16 Financial Services										
R`000										
Details	2015/16			2016/17		2017/18				
	Actual	Original budget	Adjustment budget	Actual	Variance to budget	Actual	Original budget	Variance to budget	Adjustment budget	
Total operational revenue	256695	293978	315703	301396	-14307	398682	370529	33876	432558	
Expenditure:	5646	56710	11810	11772	-38	145764	66873	71633	74131	
Other Employees	10 336	14117	14611	16575	1964	18066	22077	2002	20068	
Repairs & Maintenance							3800		3900	
Other	51894	50450	50450	-30360	-80810	2310	3800	1590	3900	
Total operational expenditure	67876	71277	76871	-2013	80810	166140	92750	68041	98099	
Net operational (service) expenditure	188819	222701	238832	299383	60551	232542	277822	-59761	292303	

3.21 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICE

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Human Resource Services										
Policy objectives taken from IDP										
Service Objectives	Outline service targets	2015/16		2016/17			2017/18			
		Target	Actual	Target	Current year	Actual	Target	Actual		
		Equity report submitted	Equity report submitted	Equity report submitted		Equity report submitted	Equity report submitted	Equity report submitted	Current year	*following year
To develop and retain best human capital, effective and efficient administrative and operational support system	Submit Employment equity report.									
Service indicators To submit the Employment equity report to Dept. of Labor by 31 October 2016										
Service objective										

Employees: Human Resource Services										
Job level	2015/16			2016/17			2017/18			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3		1	1	0	0%		1	1	0	0%
4-6		7	2	5	71.42%		7	5	2	60%
7-9		0	0	0	0%		0	0	0	100%
10-12		4	2	2	50%		4	2	0	50%
13-15		0	0	0	0%		0	0	0	100%
16-18		0	0	0	0%		0	0	0	100%
19-20		0	0	0	0%		0	0	0	100%
Total		12	5	7	58.33%		12	8	2	%

Financial performance 2015/16,2016/17 AND 2017/18: Human Resource Services											
R`000											
Details	2015/16		2016/17			2017/18					
	Actual	Original budget	Adjustment budget	Actual	Variance to budget	to	Actual	Original budget	Variance to budget	to	Adjustment budget
Total operational revenue	120	360	360	0	-360		233	370	9		224
Expenditure:	3183	6630	6 280	4545	-1735		10694	11149	455		11149
Other Employees	5191	3782	3 431	2565	-866		5714	5019	773		4941
Repairs & Maintenance								0			0
Other											
Total operational expenditure	8374	10412	9 711	7110	-2601		16408	11149	318		16090
Net operational (service) expenditure	-8254	-10052	-9 351	-7110	2241		-16408	-11149	-309		15866

COMMENTS ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

3.22 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information and Communication Technology ensure provision of services such as Network connectivity, information management, Email messaging for communicating with the internal stakeholders and the outside world, enhancing service delivery by providing reliable systems. Enabling the integration of systems within the municipality to achieve Municipal objectives. ICT operate under the guidance of ICT policies and frameworks as mandated by corporate governance of ICT. There are also committees that ensure good governance of ICT such as: ICT Steering Committee, Risk Assessment on ICT, and Audit Committee.

SERVICE STATISTICS FOR ICT SERVICES

For period under review 2017/18, Information and Communication Technology provided and supplied ICT equipment's e.g. computers, printers, 3Gs and Memory Sticks. The Unit also updated of Municipal website on a continuous basis and maintained network infrastructure for ease of communication. The Unit provided IT systems, user maintenance and support.

ICT Services Policy objectives taken from IDP						
Service Objectives	Outline service targets	2016/17		2017/18		2017/18
		Target	Actual	Target	Actual	Target Actual
To develop and retain best human capital, effective and efficient administrative and operational support system	4 payments for leased desk top and lap top computers and Procurement of IT equipment. Maintenance, support and provide connectivity to network (LAN and WAN). 12 payments for 3Gs	4 payments for leased desk top and lap top computers and Procurement of IT equipment.	4 payments of leased desk top and lap top computers and Procurement of IT equipment done	(4)payments for leased desk top and lap top computers and Procurement of IT equipment.	(4)payments of leased desk top and lap top computers and Procurement of IT equipmen	4 payments for leased desk top and lap top computers and Procurement of ITEquipment.
Service Indicators Number of computers leased, laptops acquired	Secure network, information, and computers and unified communication100% up to date website. 800 calls attended and resolved.				4 x IT Steering Committee meetings coordinated	4 x IT Steering Committee meetings coordinated.

and printers allocated						
Number of maintenance upgrade of network infrastructure	4 x risk assessments conducted	4 x IT Steering Committee meetings coordinated		4x IT Steering Committee meetings coordinated.		4 x IT Steering Committee meetings coordinated
Appointment of service provider to render secure network ,information and computers						
% update of municipal website	Done	Done		Done		Done
Number of calls resolved Number of IT Steering Committee meetings						

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL (STATUS QUO)

The unit maintained and supported LAN/WAN connectivity within the Municipality and its remote sites

The municipality appointed a Service Provider to assist with its ICT Security and Support in August 2017.

The municipality further uploaded the following documents in the website:

- Adverts for Tenders
- Performance Agreements
- Adverts for Vacancies
- Annual Budget and related policies
- SPLUMA By Laws

Employees: ICT Services										
Job level	2015/16		2016/17				2017/18			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	
0-3		1	1	0	0%	1	1	1	0%	
4-6		3	0	0	100%	3	1	2	50%	
7-9		0	1	0	0%	1	0	0	100%	
10-12		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
13-15		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
16-18		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
19-20		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Total		5	1	3	60%	5	2	3	60%	

THE PERFORMANCE OF ICT SERVICES OVERALL:

The user support turnaround for the year under review 2017/18 was satisfactory even though the Unit was unable to meet all their planned targets due to shortage of staff.

3.22 LEGAL; RISK MANAGEMENT

Employees: legal and Risk Management									
Job level	2015/16		2016/17				2017/18		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3		2	1	1	50%	2	2	0	100%
4-6		8	3	5	62.5%	2	0	0	100%
7-9		n/a	n/a	n/a	n/a	n/a			
10-12		4	0	0	100%				%
13-15		n/a	n/a	n/a	n/a				n/a
16-18		n/a	n/a	n/a	n/a				n/a
19-20		n/a	n/a	n/a	n/a				n/a
Total		14							71,42%

ANNUAL PERFORMANCE INFORMATION

SUMMARY OF PERFORMANCE FOR THE 2017/18 FINANCIAL YEAR

1. INTRODUCTION

The Greater Giyani Municipality 2017/18 annual performance report reflects the institution's service delivery and developmental achievements, as well as challenges, in recognition of the municipality's obligation to be an accountable, transparent and efficient organization. The compilation of this annual performance reports is done in compliance to various pieces of legislation. Key amongst such legislation are local Government: municipal system Act No. 32 of 2000, local Government: municipal finance management Act No 56 of 2003, and National Treasury circulars (especially circular 11 and 63.) The MSA and MFMA state that every municipality and entity must prepare an annual performance report which must form part of the annual report for each financial year in terms of the Act. This annual performance report is a reflection of the municipality's actual performance in relation to what was planned for in the IDP and SDBIP. It is therefore a post-reflection of planned targets and their actual with a provision for reasons for variance as well as mitigating\corrective measures taken. The annual performance report of the Greater Giyani municipality is aligned to the municipal IDP and Budget for the 2017\18 financial year and that it is aligned to the service delivery and Budget implementation plan and in-year reports.

2. PURPOSE

This annual performance report seeks to attain the following purpose:

- The provision of a report on performance in service delivery and budget implementation plan for the 2017/18 financial year
- To promote transparency and accountability for the activities and programmers of the municipality vis-a –vis the six key performance areas
- To provide a record of activities of the municipality for the 2017/18 financial year to which this report relates

3. THE ROAD MAP

The attached APR of GGM is a product of in-year reports which have been consistently submitted to Council Committees and Council. Upon the signing of the SDBIP 2017/18 on the 20th of June 2017, the Municipality facilitated the signing of performance agreements by the Senior Managers led by the Accounting Officer. Reports on the implementation of the SDBIP were sent to the Executive Committee on a monthly basis and to Council on quarterly basis.

The Municipality had 140 Key Performance Indicators (KPIs) wherein a total of 90 KPIs were achieved, ten (03) withdrawn during (budget) adjustment, and 46 KPIs were not achieved as planned. The unachieved KPIs does not necessarily translate in non-performance but includes KPI's which were not fully actualized even though there were progress towards their attainment, including partially achieved indicators.

The table below indicates progress per KPA

Key Performance Area	SDBIP Indicators	Achieved	Not Achieved	Withdrawn
KPA-1: Spatial Rational	15	12	3	0
KPA-2: Institutional Development and Transformation	17	14	3	0
KPA-3: Infrastructure Development And Basic Services	58	28	30	1
KPA-4: Local Economic Development	5	5	0	0
KPA-5: Financial Viability	11	9	0	2
KPA-6: Public Participation And Good Governance	34	22	12	0
TOTAL	140	90	43	03
PERCENTAGE		64%	36%	

CHAPTER 4– ORGANISATIONAL DEVELOPMENT PERFORMANCE

INTRODUCTION

The municipal Organizational structure was aligned to IDP and budget. The structure was also adopted by the council. All skills gaps that were crucial in work performance were identified and training interventions were made to address skills gap. The institution comply with the national legislations

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees				
	16/17	17/18			
	No. Employees	No. Approved posts	No. of employees	No. of vacancies	% of vacancies
Water					
Waste Water (sanitation)					
Electricity					
Waste Management					
Housing					
Waste Water (Storm water Drainage)					
Roads					
Transport					
Planning					
Local Economic Development					
Planning (Strategic & Regulatory)					
Community & social services					
Environmental protection					
Health					
Security & safety					
Sport & recreation					
Corporate Policy offices & other					
Totals					

Vacancy Rate: 17/18			
Designation	*Total approved posts No.	*Variances (Total time that vacancies exist using fulltime equivalents) No.	*Variances (as a proportion of total posts in each category) %
Municipal Manager	1		
CFO	1		
Other S57 Managers (excluding Finance Posts)	4		
Other S57 Managers (Finance posts)	0		
Municipal Police	0		
Fire Fighters	0		
Senior Management: Levels 13-15 (excluding Finance Posts)	0		
Senior Management: Levels 13-15 (Finance Posts)	0		
Highly skilled supervision: Levels 9-12 (excluding Finance posts)			
Highly skilled supervision: Levels 9-12 (Finance posts)			
Total			
The position of Municipal Manager and Director Community Services has been vacant since the expiry of the previous candidates' contract in			

Turn-over Rate			
Details	Total Appointments as of beginning of financial year No.	Terminations during the financial year No.	Turn-over Rate*
2014/15			
2015/16			
2017/18	1	2	

COMMENT ON VACANCIES AND TURNOVER:

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.1. INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has taken into cognizance the history of apartheid laws and practices with the resultant disparities and inequalities, in the spirit of Employment Equity Act is geared towards achieving employment equity across all occupational levels and categories and therefore in order to redress the imbalance of the past and move towards a human and representative Labor market underpinned by Equity, Equity redress and Affirmative Action. The Municipality has Employment Equity Plan and active/ functional Employment Equity Committee. 2017/2018 Employment Equity report was timeously submitted to the Department of Labour. HR Policies are in place

4.2. POLICIES

HR Policies & Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action			Legislated
2	Career & Retention Management	100%	100%	26/05/2017
3	Code of conduct for employees	100%	N/A	SALGBC Collective Agreement
4	Delegations, Authorisation & responsibility		N/A	201/17
5	Disciplinary Code & Procedures	100%	N/A	SALGBC Collective Agreement
6	Essential Services	100%	N/A	Not yet signed
7	Employee Assistance/ wellness			
8	Employment Equity	100%	N/A	Submitted to the Departement of Labour
9	Exit Management	100%	0%	
10	Grievance Procedures		N/A	SALGBC Collective agreement
11	HIV/AIDS	100%	100%	26/05/2017
12	Human Resource & Development	100%	100%	26/05/2017
13	Information Technology		100%	26/05/2017

14	Job Evaluation	100%		N/A	SALGBC Collective Agreement
15	Leave	100%	100%		Collective Agreement
16	Occupational Health & Safety				26/05/2017
17					
18	Official Journeys	100%	100%	26/ 05/2017	
19					
20	Official working hours and overtime	100%	100%	26/05/2017	
21	Organisational rights	100%	100%		Collective Agreement
22	Payroll Deductions	100%	100%		26/05/2017
23	Performance Management & Development				26/05/2017
24	Recruitment, selection & Appointments	100%	100%		
25	Remuneration Scales & Allowances	100%	100%		
26	Resettlement				
27	Sexual Harassment				
28	Skills development				
29	Smoking				
30	Special skills				
31	Work Organisation				
32	Uniforms & protect clothing				
33	Other				
Use name of local policies if different from above and at any other HR policies not listed					

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

Over the years the Municipality has managed to develop all priority human resource policies, procedures and systems in line with the MSA 2000 (S67) to ensure fair, efficient, effective and transparent personnel administration. During 2017/18 emphasis was placed on improving implementation of the policies and amendment of those policies that were outdated. The implementation of the policies is monitored through Council resolution implementation report.

4.3. INJURIES, SICKNESS AND SUSPENSIONS

COMMENT ON INJURY AND SICK LEAVE:

- (a) No employee was injured on duty.
- (b) None
- (c) Two (2) employees were suspended from council service with full pay pending the institution of disciplinary proceedings against them by the municipality.

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

Only Two (2) employees were suspended from council service with full pay pending the institution of disciplinary proceedings against them by the municipality.

4.4 PERFORMANCE REWARDS

The municipality did not pay performance awards to employees

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORK FORCE

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5 SKILLS

The Work Skills Plan and Annual Training Report were developed and submitted to LGSETA within time frame. The municipality complies with the plan. Mandatory and discretionary grants were claimed and received to assist training interventions.

Skills Matrix														
Management	Gender	Employees in post as at 30 June 2018	Number of skilled employees required and actual as at 30 June 2018											
		No.	Learnerships			Skills programme & other short courses			Other forms of training			Total		
			Actual 01 July 2017	Actual 30 June 2018	Target	Actual 01 July 2017	Actual 30 June 2018	Target	Actual 01 July 2017	Actual 30 June 2018	Target	Actual 01 July 2017	Actual 30 June 2018	Target
MM & S57	Female		0	0		0	1		0	0		0	1	
	Male		0	0		1	3					1	3	
Councillors,	Female		2	0		1	0		7	0		10	0	
	Male		4	0		0	0		10	7		14	7	
Senior Officials senior officials	Male													
	Female													
Managers	Male													
	Female													
Technicians & associate professionals	Female		0	0		0	0		0	0		0	0	
	Male													
Professionals	Female		0	0		5	1		0	0		5	1	
	Male		1	0		7	12		0	0		8	12	
Sub Total	Female		2	0		6	2		7	0		13	2	
	Male		5	0		8	15		10	7		22	22	
Total			7	0		14	17		17	7		36	24	

Competency Level Requirement		
2016/5016	2016/2017	2017/2018
Senior Managers	Snr Managers	Snr Managers
01 M 01 F	01 F	5 M
Managers	Managers	Managers
02 M 02 F	01 F	1 F 3 M
Middle Managers	Middle Managers	Middle Managers
02 M	04 M 01 F	1 F 5 M
Admin	Admin	Admin
	04 F	03 M 02 F
Skills Development		
Lower Level		
2015/2016	2016/2017	2017/2018
25 M 30 F	13 M 17 F	27 M 35 M
Middle Level		
13 M 19 F	10 M 30 F	40 M 69 F

Chapter: 5

Annual Financial Statements and Financial Performance for the Year Ended 30 June 2018



Greater Giyani Local Municipality
Annual Financial Statements
For the year ended 30 June 2018

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality. The municipality has lost an investment amount of R 159 262 692 due to liquidation of VBS Mutual.

2. Subsequent events

The accounting officers are aware of the following matters or circumstance arising since the end of the financial year:

The Court has issued a final order to liquidate VBS Mutual Bank on the 13th of November 2018.
The municipality had an investment with VBS Mutual Bank amounting to R 159 262 692.

The insolvency of VBS Mutual Bank that occurred after the reporting date usually confirms that a loss existed at the reporting date on the investment account. The investment has been fully impaired as it is unlikely that the municipality will recover any substantial amount from the bank. The municipality will assess the amount to be written off once the process of liquidation has been finalised.

3. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
R.H. Maluleke (Acting)	South African	1 November 2016 to 31 January 2017 Reappointed 1 May 2017 to 30 June 2017
M.C. Chaamano (Acting)	South African	1 July 2016 to 31 October 2016
P.M. Mathebula (Acting)	South African	1 February 2017 to 30 April 2017
M. M. Chauke	South African	Appointed Monday, 01 January 2018
R.H Maluleke (Acting)	South African	Appointed Saturday, 01 July 2017, resigned Tuesday, 31 October 2017
M.T Shiviti	South African	Appointed Wednesday, 01 November 2017, resigned Sunday, 31 December 2017

4. Auditors

Auditor General South Africa (AGSA) will continue in office for the next financial period.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	10	2,841,375	1,469,766
Loans to other municipality	7	-	-
Other financial assets	8	-	102,965,384
Other receivables from exchange transactions	11	15,875,284	12,551,075
Receivables from non-exchange transactions	12	37,812,058	39,332,450
VAT receivable	13	6,216,499	8,106,397
Receivables from exchange transactions	14	12,424,493	10,289,260
Cash and cash equivalents	15	14,639,964	65,093,100
		89,809,673	239,807,432
Non-Current Assets			
Investment property	3	11,196,000	11,196,000
Property, plant and equipment	4	893,673,561	856,347,950
Intangible assets	5	405,379	402,763
Heritage assets	6	171,053	171,053
		905,445,993	868,117,766
Total Assets		995,255,666	1,107,925,198
Liabilities			
Current Liabilities			
Finance lease obligation	16	582,651	-
Payables from exchange transactions	19	70,743,561	53,640,486
Unspent conditional grants and receipts	17	5,465,566	9,380,346
Employee benefit obligation - current portion	9	2,641,731	472,265
		79,433,509	63,493,097
Non-Current Liabilities			
Finance lease obligation	16	1,187,160	-
Employee benefit obligation	9	21,653,049	23,713,553
Provision for rehabilitation for dumping site	18	14,360,144	14,360,144
		37,200,353	38,073,697
Total Liabilities		116,633,862	101,566,794
Net Assets		878,621,804	1,006,358,404
Accumulated surplus		878,621,804	1,006,358,404

* See Note

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	4,594,593	4,472,543
Rental of facilities and equipment	22	836,285	767,530
Interest received (overdue accounts)		12,205,023	8,462,060
Agency services		226,696	318,997
Licences and permits		5,160,503	4,926,246
Retention fee recovered		370,882	-
Gain on fair value measurement		171,037	-
Other income	23	1,579,115	1,954,142
Interest received - investment	24	11,958,996	15,345,803
Total revenue from exchange transactions		37,103,130	36,247,321
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	35,238,339	36,754,780
Traffic fines		6,256,181	438,150
Transfer revenue			
Government grants & subsidies	26	343,970,662	315,487,287
Total revenue from non-exchange transactions		385,465,182	352,680,217
Total revenue	20	422,568,312	388,927,538
Expenditure			
Employee related costs	27	(125,313,885)	(118,008,311)
Remuneration of councillors	28	(22,143,882)	(19,431,700)
Depreciation and amortisation	29	(84,607,767)	(74,411,006)
Impairment loss/ reversal of impairments	30	(159,992,951)	(51,007)
Finance costs	31	(111,400)	-
Lease rentals on operating lease		(1,576,580)	(1,330,757)
Debt impairment	32	(39,446,358)	(25,613,658)
Bad debts written off	33	(2,816,107)	-
Contracted services	34	(52,028,133)	(40,019,486)
Loss on disposal of assets and liabilities		-	(2,379,722)
Actuarial losses		(2,322,492)	(2,356,173)
General expenses	35	(56,508,488)	(74,692,746)
Total expenditure		(546,868,043)	(358,294,566)
(Deficit) surplus for the year		(124,299,731)	30,632,972

* See Note

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated* Balance at 01 July 2016 as restated*	975,725,432	975,725,432
Changes in net assets		
Surplus for the year	30,632,972	30,632,972
Restated* Balance as at 01 July 2017	1,006,358,405	1,006,358,405
Prior year adjustments	(3,436,870)	(3,436,870)
Changes in net assets		
Deficit for the year	(124,299,731)	(124,299,731)
Total changes	(124,299,731)	(124,299,731)
Balance at 30 June 2018	878,621,804	878,621,804
Note(s)		
1.	<u>2.</u>	<u>3.</u>

* See Note

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash received from trade services, rates and rentals		42,260,176	51,538,872
Cash received from agency fines and sundry income		8,603,911	2,711,289
Grants		341,576,274	296,853,609
Interest income		24,164,019	23,173,789
		416,604,380	374,277,559
Payments			
Employee costs		(145,369,840)	(134,533,648)
Suppliers		(144,483,970)	(123,081,189)
		(289,853,810)	(257,614,837)
Net cash flows from operating activities	37	126,750,570	116,662,722
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(121,129,825)	(127,077,830)
Purchase of other intangible assets	5	(1,546,384)	(1,531,409)
Movement on financial assets		(56,297,308)	(102,965,384)
Net cash flows from investing activities		(178,973,517)	(231,574,623)
Cash flows from financing activities			
Increase on finance lease liability		1,769,811	-
Net increase/(decrease) in cash and cash equivalents		(50,453,136)	(114,911,901)
Cash and cash equivalents at the beginning of the year		65,093,100	180,005,001
Cash and cash equivalents at the end of the year	15	14,639,964	65,093,100

* See Note

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,300,000	100,000	4,400,000	4,594,593	194,593	
Rental of facilities and equipment	867,970	(56,020)	811,950	836,285	24,335	
Interest received (overdue accounts)	5,000,000	-	5,000,000	12,205,023	7,205,023	A
Agency services	-	-	-	226,696	226,696	B
Licences and permits	7,300,000	(1,711,514)	5,588,486	5,160,503	(427,983)	
Municipal Revenue UD1	-	-	-	370,882	370,882	
Municipal Revenue UD2	-	-	-	171,037	171,037	
Other income	1,800,000	29,500,822	31,300,822	1,579,115	(29,721,707)	C
Interest received - investment	11,776,000	5,547,603	17,323,603	11,958,996	(5,364,607)	D
Total revenue from exchange transactions	31,043,970	33,380,891	64,424,861	37,103,130	(27,321,731)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,000,000	-	30,000,000	35,238,339	5,238,339	E
Traffic fines	100,000	101,920	201,920	6,256,181	6,054,261	F
Transfer revenue						
Government grants & subsidies	323,193,000	26,232,582	349,425,582	343,970,662	(5,454,920)	
Total revenue from non-exchange transactions	353,293,000	26,334,502	379,627,502	385,465,182	5,837,680	
Total revenue	384,336,970	59,715,393	444,052,363	422,568,312	(21,484,051)	
Expenditure						
Personnel	(133,872,944)	6,476,179	(127,396,765)	(125,313,885)	2,082,880	
Remuneration of councilors	(20,646,485)	(1,888,572)	(22,535,057)	(22,143,882)	391,175	
Depreciation and amortisation	(30,000,000)	-	(30,000,000)	(84,607,767)	(54,607,767)	G
Impairment loss/ Reversal of impairments	-	-	-	(159,992,951)	(159,992,951)	H
Finance costs	-	-	-	(111,400)	(111,400)	
Lease rentals on operating lease	(1,550,000)	(113,000)	(1,663,000)	(1,576,580)	86,420	I
Debt Impairment	(15,000,000)	-	(15,000,000)	(39,446,358)	(24,446,358)	J
Bad debts written off	-	-	-	(2,816,107)	(2,816,107)	

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Contracted Services	(11,900,000)	(65,941,853)	(77,841,853)	(52,028,133)	25,813,720	K
General Expenses	(88,343,439)	32,366,431	(55,977,008)	(56,508,488)	(531,480)	L
Total expenditure	(301,312,868)	(29,100,815)	(330,413,683)	(544,545,551)	(214,131,868)	
Operating deficit	83,024,102	30,614,578	113,638,680	(121,977,239)	(235,615,919)	
Gain on disposal of assets and liabilities	-	700,000	700,000	-	(700,000)	M
Actuarial gains/losses	-	-	-	(2,322,492)	(2,322,492)	
	-	700,000	700,000	(2,322,492)	(3,022,492)	
Deficit before taxation	83,024,102	31,314,578	114,338,680	(124,299,731)	(238,638,411)	

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	83,024,102	31,314,578	114,338,680	(124,299,731)	(238,638,411)	
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Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

A -Interest received on overdue accounts

The municipality's debtor book keeps on increasing because customers are not paying accounts.

B - Agency fees was not budgeted for during the current year.

C - Other income

The budget included an amount of R30 million for VAT recovered for which the actual amount received is not captured under other income but captured under current assets.

D - Interest received on investment

Interest from VBS investments accounts was captured up to February due to the bank being under curatorship.

E - Property rates

Increase on property rates was due to all properties being billed as compared to prior years.

F - Traffic fines

Traffic fines for the current year are based on IGRAP 1 which requires that Municipalities should recognise traffic fines based on the traffic fines issued, instead of the collection. Whereas the budget was based on the actual collections.

G- Depreciation

Many projects were completed in the current year and assets that were previously not included in the assets register are now included and depreciated.

H - Lease rental on operating lease

Lease on computer equipment was incurred during the year.

I - Impairment loss

Impairment loss on VBS investment due to liquidation of VBS Mutual.

I - Debt impairment

A retrospective adjustment to account for completeness of property rates was performed for 2017/18 which had a significant impact on the impairment for the year.

J - Contracted services

The Contracted Services mainly consist of Electrification Projects and the one that was funded by Grant had unspent grant of R 5.8 Million. The projects funded internally depended on revenue collections.

K -General expenses

Some expenses were incurred under contracted services during the year.

L - Retention recovered

Retention recovered is due to retention waived by the contractor

M - Fair value

Assets for Thomo Community Hall assets that were not previously recorded were fair valued at year end.

Total expenditure

There were no unauthorised expenditure during the year, the difference between budgeted expenditure to impairment of the VBS investment and the non cash items.(Debt impairment and Depreciation).

EXPLANATION OF DIFFERENCES BETWEEN APPROVED BUDGET AND ADJUSTED BUDGET

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

1. Service Charges

The budget for services charges was increased during the adjustment budget after reviewing the collection trend for the first 6 months.

2. Rental of facilities and equipment

The budget was decreased during the year due to the downward collection rates for the services from July to December 2017.

3. Licences and permits

The budget was decreased during the year after the collection trends for the first 6 months.

4. Other income

Budget for VAT receivable was included under other income during the adjustment processes.

5. Interest on Investment

The budget was increased due to the two investments which were placed with VBS for the period of 12 months.

6. Traffic fines

The budget was increased based on the collection rates in the first 6 months

7. Government Grants & subsidies

The budget was increased because of the roll over of R 9,3m which was approved by National Treasury and MIG bonus of 17m which was received.

8. Employee related cost

The budget was decreased due to the budgeted positions which were not billed for the first six months.

9. Remuneration of councillors

The budget was increased due to the changes in upper limits of councillors.

10. Lease rentals on operating lease

The budget was increased after reviewing the payments for leases for the first six months.

11. Contracted services

Electricity project budget was included under contracted services during budget adjustment whereas on the original budget it was part of capital projects.

12. General expenses

Some of the expenses were reduced during the budget adjustment because of under collection during the first 6 months.

13. Gain on disposal of assets & liabilities

The budget was increased during the adjustment budget due to the disposal of assets which was planned for 2017 2018.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

~~1. Presentation of Annual Financial Statements~~

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Although the municipality has realised a deficit in the current reporting period due to impairment of investment in the VBS, the municipality will continue to operate

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating and non-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

~~1.2 Significant judgements and sources of estimation uncertainty (continued)~~

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

Allowance for doubtful debts

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

1.3 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is initially recognised and subsequently at cost.

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

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	
• Graders		5-15 years
• Tractors		5-15 years
• Lawn mowers		2 years
• Compressors		5 years
• Radio equipment		5 years
• Filing equipment		15 years
• Tipplers		15 years
Furniture and fixtures	Straight line	
• Chairs		5-10 years
• Tables and desks		5-10 years
• Cabinets and cupboards		5-10 years
Motor vehicles	Straight line	
• Truck and light delivery vehicles		5-7 years
• Ordinary motor vehicles		5-8 years
Office equipment	Straight line	
• Office machines		5-8 years
• Air conditioners		
IT equipment	Straight line	
• Computer hardware		5-9 years

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

Community	Straight line	
• Cemeteries		30 years
• Community halls		30 years
• Libraries		30 years
• Parks		30 years
• Recreation centres		30 years
• Sports and related stadiums		30 years
• Tennis courts		30 years
• Golf courses		30 years
• Outdoor sports facilities		30 years
• Flood lighting		30 years
Roads and road furniture	Straight line	
• Other roads		10 years
• Traffic islands		10 years
• Traffic lights		20 years
• Streets lights		25 years
• Overhead bridges		30 years
• Stormwater drains		20 years
• Bridges, subways and culverts		30 years
• Car parks		20 years
• Bus terminals		20 years
Bins and containers	Straight line	
• Bulk refuse containers (skips)		10 years
Emergency equipment	Straight line	
• Fire hoses		5 years
• Other fire fighting equipment		15 years
• Emergency equipment		5 years
Heritage	Straight line	
• Mayoral chain		No asset life as no depreciation charge

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

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

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

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

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

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

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	12 months

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No asset lives are allocated.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

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

Impairment

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

Derecognition

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

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Fair value measurement considerations

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

1.8 Leases

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

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The predestination 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 only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

~~1.11 Impairment of non-cash-generating assets (continued)~~

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

Redesignation

The redesignation 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 only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 1. a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 2. an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.⁸

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. All estimates of revenue should be based on amounts collectible, not previously collected.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

~~1.16 Revenue from non-exchange transactions (continued)~~

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at all fines issued as the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.22 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.23 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

~~1.24 Events after reporting date (continued)~~

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Value-Added-Tax

The municipality applies the payments basis for VAT purposes as per the Value-Added-Tax Act. Output tax is payable as and when the purchase considerations are received and input will be claimed as and when payments are made.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

~~2. New standards and interpretations (continued)~~

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. ~~New standards and interpretations (continued)~~

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

~~2. New standards and interpretations (continued)~~

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

~~2. New standards and interpretations (continued)~~

- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the interpretation until such time as it becomes applicable to the municipality's operations.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

3. Investment property

4.	5.			6.			7.			8.			9.			10.		
	2018						2017											
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value															
Investment property	11,196,000	-	11,196,000	11,196,000	-	11,196,000												

Reconciliation of investment property - 2018

11.	12. Opening balance	13. Total
Investment property	11,196,000	11,196,000

Reconciliation of investment property - 2017

14.	15. Opening balance	16. Transfers received	17. Correction of Prior period error	18. Total
Investment property	1,110,000	25,110,000	(15,024,000)	11,196,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

4. Property, plant and equipment

19.	20.	21.	22.	23.	24.	25.	2018		2017	
							Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	205,000	-	205,000	205,000	-	205,000				
Buildings	120,856,542	(17,820,721)	103,035,821	105,010,219	(15,628,533)	89,381,686				
Plant and machinery	14,496,825	(10,279,297)	4,217,528	13,014,998	(7,436,647)	5,578,351				
Furniture and fixtures	1,826,996	(1,201,042)	625,954	1,699,532	(939,076)	760,456				
Motor vehicles	13,425,764	(8,294,473)	5,131,291	12,523,365	(6,587,295)	5,936,070				
Office equipment	661,942	(282,272)	379,670	375,477	(165,239)	210,238				
IT equipment	4,031,471	(2,555,703)	1,475,768	3,195,979	(2,017,756)	1,178,223				
Infrastructure	851,003,975	(193,807,188)	657,196,787	788,439,174	(120,315,366)	668,123,808				
Community	137,431,733	(18,283,247)	119,148,486	100,536,410	(15,859,023)	84,677,387				
Other leased Assets	1,924,731	(116,160)	1,808,571	-	-	-				
Air conditioners	953,189	(504,504)	448,685	688,208	(391,477)	296,731				
Total	1,146,818,168	(253,144,607)	893,673,561	1,025,688,362	(169,340,412)	856,347,950				

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

26.	27.	28.	29.	30.	31.	32.	33.	34.
	Opening balance	Additions	Transfer in	WIP	Transfers out	Depreciation	Impairment loss	Total
Land	205,000	-	-	-	-	-	-	205,000
Buildings	89,381,686	152,842	-	15,693,480	-	(2,192,187)	-	103,035,821
Plant and machinery	5,578,351	1,481,827	-	-	-	(2,121,290)	(721,360)	4,217,528
Furniture and fixtures	760,456	127,464	-	-	-	(261,657)	(309)	625,954
Motor vehicles	5,936,070	902,398	-	-	-	(1,707,177)	-	5,131,291
Office equipment	210,238	286,466	-	-	-	(115,737)	(1,297)	379,670
IT equipment	1,178,223	835,491	-	-	-	(530,652)	(7,294)	1,475,768
Infrastructure	668,123,808	209,426	52,249,348	62,355,374	(52,249,348)	(73,491,821)	-	657,196,787
Community	84,677,387	-	21,090,977	36,895,345	(21,090,977)	(2,424,246)	-	119,148,486
Finance lease assets	-	1,924,731	-	-	-	(116,160)	-	1,808,571
Air conditioners	296,731	264,981	-	-	-	(113,027)	-	448,685
	856,347,950	6,185,626	73,340,325	114,944,199	(73,340,325)	(83,073,954)	(730,260)	893,673,561

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

35.	36.	37.	38.	39.	40.	41.	42.	43.	44.
	Opening balance	Additions	Correction of Prior period errors	WIP	Transferred to Investment property	Revaluations	Depreciation	Impairment loss	Total
Land	205,000	-	-	-	-	-	-	-	205,000
Buildings	104,843,621	-	(7,656,825)	19,478,605	(25,110,000)	-	(2,173,715)	-	89,381,686
Plant and machinery	10,478,409	-	(712,320)	-	-	(1,371,953)	(2,770,532)	(45,253)	5,578,351
Furniture and fixtures	1,379,756	-	107,577	-	-	(412,893)	(309,854)	(4,130)	760,456
Motor vehicles	4,361,689	3,010,099	345,160	-	-	(105,990)	(1,674,888)	-	5,936,070
Office equipment	523,606	-	(6,613)	-	-	(204,848)	(101,907)	-	210,238
IT equipment	1,634,445	139,249	493,852	-	-	(601,799)	(486,344)	(1,180)	1,178,223
Infrastructure	314,229,144	25,353,566	337,364,853	54,663,945	-	-	(63,487,700)	-	668,123,808
Community	56,044,264	2,020,672	3,016,159	25,505,936	-	-	(1,909,644)	-	84,677,387
Finance leased assets	321,226	-	(111,994)	-	-	(60,007)	(149,225)	-	-
Air conditioners	439,240	-	22,425	-	-	(61,759)	(102,731)	(444)	296,731
	494,460,400	30,523,586	332,862,274	99,648,486	(25,110,000)	(2,819,249)	(73,166,540)	(51,007)	856,347,950

Reconciliation of Work-in-Progress 2018

45.	46.	47.	48.	49.	50.
		Included within Infrastructure	Included within Community	Included within PPE	Total
Opening balance		54,081,215	55,654,365	42,871,007	152,606,587
Additions/capital expenditure		62,355,374	36,895,345	15,693,480	114,944,199
Transferred to completed items		(52,249,325)	(21,090,977)	-	(73,340,302)
		64,187,264	71,458,733	58,564,487	194,210,484

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

51.	52.	53.	54.	55.	56.	
		Included within Infrastructure	Included within Community	Included within PPE	Other	Total
Opening balance		16,706,127	29,890,531	23,392,402		69,989,060
Additions/capital expenditure		54,663,945	25,505,936	19,478,605		99,648,486
Correction of prior period error		3,399,159	257,898			3,657,057
Transferred to completed items		(20,688,016)				(20,688,016)
		54,081,215	55,654,365	42,871,007		152,606,587

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

57.	58.	59.	60.	61.	62.	63.
	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,203,208	(3,797,829)	405,379	1,673,493	(1,270,730)	402,763

Reconciliation of intangible assets - 2018

64.	65.	66.	67.	68.
	Opening balance	Additions	Amortisation	Total
Computer software, other	402,763	1,546,384	(1,543,768)	405,379

Reconciliation of intangible assets - 2017

69.	70.	71.	72.	73.
	Opening balance	Additions	Amortisation	Total
Computer software, other	115,820	1,531,409	(1,244,466)	402,763

6. Heritage assets

74.	75.	76.	77.	78.	79.	80.
	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	171,053	-	171,053	171,053	-	171,053

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

4. Property, plant and equipment (continued)

Reconciliation of heritage assets 2018

81.	82.	83.
	Opening balance	Total
Mayoral chain	171,053	171,053

Reconciliation of heritage assets 2017

84.	85.	86.
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Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

6. Heritage assets (continued)

	Opening balance	Total
Mayoral chain	171,053	171,053

7. Loans to other municipalities

Other Municipalities

87. Mopani District Municipality	88.	89.	90.	
91. Loan granted	92.	93.	94.	
Less: repayment		15,000,000		-
		(15,000,000)		-
		-		-

A financial assistance was granted to Mopani District Municipality during the year. No interest was charged and repayment was made in full within the agreed period, which was before 03 November 2017.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

8. Other financial assets

95.	96.	97.	98.
Designated at fair value			
VBS Investments		159,262,692	102,965,384
		159,262,692	102,965,384
Impairments		(159,262,692)	-
		-	102,965,384
99.	100.	101.	102.
Current assets			
Designated at fair value		-	102,965,384
103.	104.	105.	106.
VBS Reconciliation			
Opening balance		102,965,384	-
Add: Capital invested during the year		48,656,282	100,000,000
Add: Interest earned during the year		7,641,025	2,965,384
Less: Provision for Impairment		(159,262,691)	-
		-	102,965,384

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

9. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2018 (the "Valuation Date 13 August 2018).

The valuation considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 4 218.17 for the year ending 30 June 2019. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

107. Past year and future projected liability	108.109. Year ending 30/06/2017	110. Year ending 30/06/2018	111. Year ending 30/06/2019	112. Year ending 30/06/2020
Opening accrued liability	17,988,571	18,224,100	17,322,210	19,997,833
Current service cost	1,126,988	1,083,889	960,724	1,055,836
Interest cost	1,668,874	1,849,415	1,714,899	1,979,785
Expected contributions (benefits paid)	-	-	-	-
Total annual expense	2,795,862	2,933,304	2,675,623	3,035,621
Actuarial loss/(gain)	(2,560,333)	(3,835,194)	-	-
Closing accrued liability	18,224,100	17,322,210	19,997,833	23,033,454

Notes

- These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined above, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Long service award

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.

The salaries used in the valuation include an assumed increase on 1 July 2018 of 7% as per the SALGBC Circular No.: 02/2017. The next salary increase was assumed to take place on 1 July 2018.

The accrued liabilities and the plan assets for the current period and the previous four periods.

113. Liability History	114.115. 30 June 2017	116. 30 June 2018	117. 30 June 2019	118. 30 June 2020
Opening accrued liability	5,418,042	5,961,718	6,972,570	5,340,938
Current service cost	508,510	522,971	537,111	581,852
Interest cost	450,351	474,971	472,988	431,326
Expected benefit vesting	(220,126)	(472,265)	(2,641,731)	(332,550)
Actuarial loss/(gain)	(195,059)	485,175	-	-
Closing accrued liability	5,961,718	6,972,570	5,340,938	6,021,566

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

119.	120.	121.	122.
Discount rates used		8.83%	8.29%
General earnings inflation rate (long-term)		6.11%	6.00%
Expected increase in salaries		7.00%	7.36%

10. Inventories

123.	124.	125.	126.
Consumable stores		2,841,375	1,469,766

10.1 Reconciliation

127.	128.	129.	130.
Opening balance		1,469,766	1,519,040
Add: purchases		7,349,179	914,287
Less: Consumables for the year		(5,977,570)	(963,561)
		2,841,375	1,469,766

11. Other receivables from exchange transactions

131.	132.	133.	134.
Inter Municipal Account (Mopani District Municipality)		12,582,225	9,688,458
Agency fee(Mopani District Municipality)		2,900,820	2,674,123
Sundry receivables		3,596,581	3,596,581
Other debtors		-	17,681
Accrued interest receivable		392,599	171,173
Staff receivables		9,263	9,263
Sundry Receivables - Provision for doubtful debts		(3,606,204)	(3,606,204)
		15,875,284	12,551,075

Staff receivables of R 9 263 relate to the overpayment of salaries to the councillors. The amount is supposed to be paid back to the Municipality by the councillors over the period of 6 months starting from July 2018. This is as per the council resolution taken by the Greater Giyani Municipal Council.

Sundry debtors of R 3 596 581 relates to sale of stands through an auction during 2009. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result, it was provided for in full based on the credit control policy.

12. Receivables from non-exchange transactions

135.	136.	137.	138.
Traffic fines		7,527,584	1,528,008
Consumer debtors - Rates		120,391,926	94,102,766
Provision for impairment		(90,107,452)	(56,298,324)
		37,812,058	39,332,450

Reconciliation of provision for impairment of receivables from non-exchange transactions

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

9. Employee benefit obligations (continued)

139.	140.	141.	142.
Opening balance		(56,298,325)	(37,909,722)
Provision for impairment		(33,809,127)	(18,388,603)
		(90,107,452)	(56,298,325)

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

13. VAT receivable

143. VAT	144.	145.	146.
		6,216,499	8,106,397

VAT receivable is a net result of Input VAT which is (Receivable from SARS) and Output VAT which is (Payable to SARS).

The municipality is predominantly funded by Government Grants which are zero rated. Therefore, Input VAT has been claimed which has not been received as yet.

Output VAT is paid over to SARS only when payment is received from debtors.

14. Receivables from exchange transactions

147. Gross balances	148.	149.	150.
Debtors with credit balances		2,504,189	2,362,188
Refuse		24,391,098	21,048,324
Housing rental		4,608,674	3,885,150
Cementries		4,054,343	490,180
		35,558,304	27,785,842

151. Less: Allowance for impairment	152.	153.	154.
Refuse		(17,076,729)	(14,485,475)
Housing rental		(3,226,631)	(2,673,764)
Cemeteries		(2,830,451)	(337,343)
		(23,133,811)	(17,496,582)

155. Net balance	156.	157.	158.
Debtors with credit balances		2,504,189	2,362,188
Refuse		7,314,369	6,562,849
Housing rental		<u>1,382,043</u>	<u>1,211,386</u>
Cementries		1,223,892	152,837
		12,424,493	10,289,260

159. Rates	160.	161.	162.
Current (0 -30 days)		<u>2,750,329</u>	<u>3,211,658</u>
31 - 60 days		2,696,223	2,181,266
61 - 90 days		2,446,031	2,771,850
91 - 120 days		<u>2,242,186</u>	<u>2,073,320</u>
121 - 365 days		2,440,626	2,492,396
> 365 days		55,510,276	67,256,342
		68,085,671	79,986,832

163. Refuse	164.	165.	166.
Current (0 -30 days)		226,849	411,120
31 - 60 days		204,529	217,676
61 - 90 days		<u>195,062</u>	<u>457,291</u>

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

	2018	2017
91 - 120 days	171,347	228,920
121 - 365 days	179,629	466,153
> 365 days	13,247,881	13,073,667
	14,225,297	14,854,827

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

14. Receivables from exchange transactions (continued)

167.	168.	169.	170.
Housing rental			
Current (0 -30 days)		41,644	54,928
31 - 60 days		42,044	52,253
61 - 90 days		41,844	64,125
91 - 120 days		40,944	48,339
121 - 365 days		44,444	96,542
> 365 days		3,114,606	3,568,963
		3,325,526	3,885,150
171.	172.	173.	174.
Cementries			
Current (0 -30 days)		19,603	20,994
31 - 60 days		21,408	18,821
61 - 90 days		20,271	23,182
91 - 120 days		19,518	15,245
121 - 365 days		18,217	29,868
> 365 days		(965,602)	382,070
		(866,585)	490,180

15. Cash and cash equivalents

Cash and cash equivalents consist of:

175.	176.	177.	178.
Bank balances		14,339,908	64,008,948
Short-term deposits		300,056	1,084,152
		14,639,964	65,093,100

The municipality had the following bank accounts

179.	180.	181.	182.	183.	184.	185.
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB BANK - Current Account - 71032635579	300,056	275,913	257,258	300,056	279,859	260,777
ABSA BANK - Current Account - 4077078193	11,514,546	12,816,006	34,343,042	11,535,858	12,847,831	34,375,021
ABSA BANK - Current Account - 4077078486	2,125,759	279,083	224,231	2,125,759	223,512	127,542
ABSA BANK - Call Deposit - 4078155655	57,165	26,974,468	25,187,624	57,165	26,974,468	25,319,082
ABSA BANK - Call Deposit - 4078155744	44,366	20,934,782	31,189,150	44,366	20,934,782	31,351,932
Standardbank - Notice Account - 068860166001	-	-	33,218,148	-	-	33,218,148

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

14. Receivables from exchange transactions (continued)

Investec BANK - Momentum Income Plus Fund A - 561313/435732/INVIB	-	804,294	-	-	804,294	-
ABSA BANK - Current Account - 4093302071	282,539	-	-	282,539	-	-
Nedbank - Notice Account - 03/781116218/00008	-	-	-	-	-	55,352,499
Total	14,324,431	62,084,546	124,419,453	14,345,743	62,064,746	180,005,001

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

16. Finance lease obligation

186.	187.	188.	189.
Minimum lease payments due			
- within one year		877,508	-
- in second to fifth year inclusive		1,389,388	-
		2,266,896	-
less: future finance charges		(497,085)	-
Present value of minimum lease payments		1,769,811	-
190.	191.	192.	193.
Present value of minimum lease payments due			
- within one year		582,651	-
- in second to fifth year inclusive		1,187,160	-
		1,769,811	-
194.	195.	196.	197.
Non-current liabilities		1,187,160	-
Current liabilities		582,651	-
		1,769,811	-

It is municipality policy to lease computers under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 19.5%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

At the end of the finance lease contract, ownership of the leased assets will be retained by the municipality.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

198.	199.	200.	201.
Unspent conditional grants and receipts			
Municipal Infrastructure Grant (MIG)		-	9,380,346
Integrated National Electrification Grant (INEG)		5,465,566	-
		5,465,566	9,380,346

Movement during the year

202.	203.	204.	205.
Balance at the beginning of the year		9,380,346	4,472,278
Additions during the year		105,245,000	87,907,722
Income recognition during the year		(109,159,780)	(82,999,654)
		5,465,566	9,380,346

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

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

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

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

18. Provision for rehabilitation for dumping site

Reconciliation of provision for rehabilitation for dumping site - 2018

206.	207.	208.
	Opening Balance	Total
Environmental rehabilitation	14,360,144	14,360,144

Reconciliation of provision for rehabilitation for dumping site - 2017

209.	210.	211.	212.
	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	14,799,593	(439,449)	14,360,144

The above represents the cost of rehabilitating the municipal dump site in line with recommended environmental practices.

19. Payables from exchange transactions

213.	214.	215.	216.
Trade payables		18,232,441	9,242,653
Retentions		27,543,369	23,344,674
Accrued leave pay		16,055,753	14,085,615
Accrued 13th cheque		2,816,591	2,807,764
Payroll creditors		104,536	399,164
Unspecified direct deposits		3,486,682	1,416,573
Debtors with credit balances		2,504,189	2,344,043
		70,743,561	53,640,486

Inter-municipal account - Mopani District Municipality

217.	218.	219.	220.
Gross revenue -Water		106,462,816	95,968,098
Gross revenue -Sewerage		21,315,460	18,447,932
Gross revenue-Interest		40,785,650	35,033,046
Overheads -Water		(129,643,204)	(125,234,631)
Connections and Reconnections		82,318	-
Overheads -Sewerage		(15,233,327)	(13,923,699)
Water debtors exGGM -Water		(108,899,453)	(98,404,735)
Water debtors exGGM- Sewerage		(20,966,271)	(18,098,743)
Trade creditors		84,646	-
Inventory		(1,701,652)	(956,293)
Accrued leave		593,316	574,806
Accrued bonus		110,174	110,697
Long service ward		587,721	526,597
Post retirement medical contribution debts		818,001	1,093,043
Provision for doubtful debts		93,021,579	95,175,423
		(12,582,226)	(9,688,459)

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

20. Revenue

221.	222.	223.	224.
Service charges		4,594,593	4,472,543
Rental of facilities and equipment		836,285	767,530
Interest received (overdue accounts)		12,205,023	8,462,060
Agency services		226,696	318,997
Licences and permits		5,160,503	4,926,246
Retention fee recovered		370,882	-
Gain on fair value measurements		171,037	-
Other income		1,579,115	1,954,142
Interest received - investment		11,958,996	15,345,803
Property rates		35,238,339	36,754,780
Traffic fines		6,256,181	438,150
Government grants & subsidies		343,970,662	315,487,287
		422,568,312	388,927,538

225.	226.	227.	228.
The amount included in revenue arising from exchanges of goods or services are as follows:			
Service charges		4,594,593	4,472,543
Rental of facilities and equipment		836,285	767,530
Interest received (overdue accounts)		12,205,023	8,462,060
Agency services		226,696	318,997
Licences and permits		5,160,503	4,926,246
Retention recovered		370,882	-
Municipal Revenue UD2		171,037	-
Other income		1,579,115	1,954,142
Interest received - investment		11,958,996	15,345,803
		37,103,130	36,247,321

229.	230.	231.	232.
The amount included in revenue arising from non-exchange transactions is as follows:			
Taxation revenue			
Property rates		35,238,339	36,754,780
Traffic fines		6,256,181	438,150
Transfer revenue			
Government grants & subsidies		343,970,662	315,487,287
		385,465,182	352,680,217

21. Service charges

233.	234.	235.	236.
Solid waste		4,397,673	4,287,739
Cementery		196,920	184,804
		4,594,593	4,472,543

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

22. Rental of facilities and equipment

237.	238.	239.	240.
Premises			
Community services		180,301	166,571
Housing rental		580,464	560,280
		760,765	726,851
241.	242.	243.	244.
Facilities and equipment			
Rental of facilities		75,520	40,679
		836,285	767,530

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

23. Other income

245.	246.	247.	248.
Escort fees		15,779	16,304
Confirmation letters		366,778	364,145
Tender documents		646,115	906,754
Clearance certificates		11,512	9,946
Sale of grave plots		67,912	79,040
Application fees		19,752	-
Parking fees		-	18,668
Building plans		136,489	293,279
Re-issue of statements		-	9,330
Sundry income		78,512	57,776
Advertisement		114,437	109,860
Sale of refuse bins		37,372	14,884
Library fees		3,785	2,736
Transfer and registrations		80,328	71,420
Insurance recoveries		344	-
		1,579,115	1,954,142

24. Investment revenue

249.	250.	251.	252.
Interest revenue			
Other financial assets		8,460,785	10,575,281
Bank		3,498,211	4,770,522
		11,958,996	15,345,803

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

25. Property rates

Rates received

253.	254.	255.	256.
Residential		11,008,210	12,727,881
Commercial		4,654,802	5,142,157
State		19,320,188	18,649,595
Public benefit organisations		171,051	163,490
Industrial		84,088	71,657
		35,238,339	36,754,780

Valuations

257.	258.	259.	260.
Residential		1,512,826,635	1,512,826,635
Commercial		252,340,307	252,340,307
State		<u>203,350,902</u>	<u>203,350,902</u>
Institute		163,803,300	163,803,300
Agricultural		300,000	300,000
Public Open Space		20,866,800	20,866,800
Sport Centre		870,000	870,000
Industrial		32,527,548	32,527,548
Nature Reserve		19,350,000	19,350,000
Churches		15,546,750	15,546,750
		2,221,782,242	2,221,782,242

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Balances disclosed does not take into annual supplementary valuation, since supplementary valuation are fluctuating either up or down.

The new general valuation will be implemented on 01 July 2018.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

26. Government grants and subsidies

261.	262.	263.	264.
Operating grants			
Equitable share	265.	266.	267.
Expanded Public Works Program (EPWP)	234,578,000	219,308,000	
Finance Management Grant (FMG)	4,364,000	1,158,000	
Local Govt Sector Education & Training Authority (LGSETA)	2,145,000	1,810,000	
	232,882	211,633	
	241,319,882	222,487,633	
Capital grants	269.	270.	271.
Municipal Infrastructure Grant (MIG)	88,116,346	82,999,654	
Integrated National Electrification Grant (INEG)	14,534,434	10,000,000	
	102,650,780	92,999,654	
	343,970,662	315,487,287	
Municipal Infrastructure Grant (MIG)			
272.	273.	274.	275.
Balance unspent at beginning of year	9,380,346	4,472,278	
Current-year receipts	78,736,000	87,907,722	
Conditions met - transferred to revenue	(88,116,346)	(82,999,654)	
	-	9,380,346	
Integrated National Electrification Grant (INEG)			
276.	277.	278.	279.
Current-year receipts	20,000,000	10,000,000	
Conditions met - transferred to revenue	(14,534,434)	(10,000,000)	
	5,465,566	-	
Expanded Public Works Program (EPWP)			
280.	281.	282.	283.
Current-year receipts	4,364,000	1,158,000	
Conditions met - transferred to revenue	(4,364,000)	(1,158,000)	
	-	-	
Finance Management Grant (FMG)			
284.	285.	286.	287.
Current-year receipts	2,145,000	1,810,000	
Conditions met - transferred to revenue	(2,145,000)	(1,810,000)	
	-	-	

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

27. Employee related costs

288.	289.	290.	291.
Basic		82,161,678	77,593,985
Medical aid - company contributions		3,467,547	3,106,567
UIF		613,912	301,860
WCA		681,655	1,678,856
SDL		971,852	1,017,807
Other payroll levies		47,837	32,487
Defined contribution plans		14,844,368	14,431,149
Overtime payments		5,419,190	4,310,186
Long-service awards		458,611	411,220
13th Cheques		5,865,361	5,510,331
Acting allowances		147,315	318,587
Car allowance		9,503,077	8,679,957
Housing benefits and allowances		458,810	281,614
Leave pay		421,520	-
Night Shift		104,663	-
Clothing Allowance		20,000	15,000
Rural Allowance		126,489	318,705
		125,313,885	118,008,311

Remuneration of Municipal Managers

292.	293.	294.	295.
Annual Remuneration		495,788	37,168
Rural Allowance		23,388	-
Car Allowance		60,000	-
Contributions to UIF, Medical and Pension Funds		30,989	520
Acting Allowance		52,238	13,938
		662,403	51,626

Remuneration of Chief Financial Officer

296.	297.	298.	<u>299.</u>
Annual Remuneration		574,587	639,177
Car Allowance		295,428	231,955
Leave pay		-	179,756
Contributions to UIF, Medical and Pension Funds		79,141	38,002
Acting Allowance		73,937	165,817
Backpay		47,298	-
Rural Allowance		22,400	-
		1,092,791	1,254,707

Remuneration of Directors - Corporate & Shared Services:

300.	301.	302.	303.
Annual Remuneration		586,370	569,225
Car Allowance		322,621	168,572
Leave Pay		-	176,629
Contributions to UIF, Medical and Pension Funds		39,782	134,555
Acting allowance		20,764	58,217
Rural Allowance		22,400	-
Backpay		36,335	-

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018 2017

1,028,272 1,107,198

Remuneration of director Technical Services

304.	305.	306.	307.
Annual Remuneration		694,414	665,438
Car Allowance		328,000	328,000

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

27. Employee related costs (continued)

Backpay			48,401	-
Contributions to UIF, Medical and Pension Funds			11,837	11,063
Acting allowance			12,548	55,685
			1,095,200	1,060,186

Remuneration of Strategic Planning and LED

308.	309.	310.	311.
Annual Remuneration		173,213	232,859

Remuneration of acting director Community Services

312.	313.	314.	315.
Acting Allowance		20,973	165,785

28. Remuneration of councillors

316.	317.	318.	319.
Mayor		840,313	784,412
Speaker		681,131	603,909
Councillors		20,622,438	18,043,379
		22,143,882	19,431,700

29. Depreciation and amortisation

320.	321.	322.	323.
Property, plant and equipment		83,063,999	73,166,540
Intangible assets		1,543,768	1,244,466
		84,607,767	74,411,006

30. Impairment of assets

324.	325.	326.	327.
Impairments			
Property, plant and equipment		730,259	51,007
During the verification of assets, some assets were noted to be in poor condition and were impaired in terms of GRAP 21 Impairment of Non-cash generating assets. The assets were impaired as follows:			
Furniture and fittings: R 1 605			
Plant and machinery: R 721 360			
IT Equipment: R 7 293			
Other financial assets		159,262,692	-
Impairment is provided for investment in VBS as per National Treasury communication due to the bank placed in liquidation and the possibility that the capital invested might be irrecoverable.			
		159,992,951	51,007

31. Finance costs

328.	329.	330.	331.
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Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

27. Employee related costs (continued)

Finance leases

111,400

-

32. Debt impairment

332.

Debt impairment - consumer debtors

Debt impairment - revenue forgone

333.

334.

335.

39,126,908

25,229,239

319,450

384,419

39,446,358

25,613,658

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

33. Bad debts written off

336.	337.	338.	339.
Interest on overdue accounts		2,816,107	-

34. Contracted services

340.	341.	342.	343.
Infrastructure services		3,011,035	-
Electrical services		16,242,094	-
Repairs and maintenance services		2,879,293	15,055,485
Business and advisory services		20,304,530	4,546,013
Other Contractors		9,591,181	20,417,988
		52,028,133	40,019,486

35. General expenses

344.	345.	346.	347.
Advertising		578,336	514,139
Auditors remuneration		4,514,237	3,225,870
Bank charges		267,073	3,535,284
Catering services		822,415	284,196
Consulting and professional fees		149,369	24,011,238
Consumables		5,875,398	963,561
Donations		-	10,000
Hire		1,641,031	-
Insurance		353,705	403,954
Community development and training		3,576,000	12,603,140
IT expenses		-	55,407
Magazines, books and periodicals		-	127,660
Medical expenses		-	11,485
Motor vehicle expenses		103,518	2,161,621
Fuel and oil		2,522,140	-
Postage and courier		86,427	118,838
Printing and stationery		736,061	1,504,845
Protective clothing		1,731,496	-
Subscriptions and membership fees		115,282	1,452,620
Telephone and fax		1,249,524	1,187,950
Training		-	1,652,624
Travel - local		7,844,799	9,116,708
Legal services		4,233,898	720,130
Electricity		1,670,972	1,743,082
Uniforms		-	1,575
Accommodation		5,979,720	-
Free basic electricity		10,154,556	8,757,003
Incidental costs		8,510	-
Busarries		497,920	529,816
Other expenses		1,796,101	-
		56,508,488	74,692,746

36. Auditors' remuneration

348.	349.	350.	351.
Audit fees		4,514,237	3,225,870

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

37. Cash generated from operations

352.	353.	354.	355.
(Deficit) surplus		(124,299,731)	30,632,972
Adjustments for:			
Depreciation and amortisation		84,607,767	74,411,006
Gain on sale of assets and liabilities		-	2,379,722
Finance costs - Finance leases		111,400	-
Impairment deficit		159,992,951	51,007
Debt impairment		39,446,358	25,613,658
Bad debts written off		2,816,107	-
Movements in retirement benefit assets and liabilities		(2,060,504)	2,354,387
Movements in provisions		-	(439,449)
Other non-cash items		(4,184,949)	-
Changes in working capital:			
Inventories		(1,371,609)	49,274
Other receivables from exchange transactions		(3,324,209)	(2,437,834)
Consumer debtors		(41,581,591)	9,907,369
Other receivables from non-exchange transactions		1,520,392	(23,541,746)
Payables from exchange transactions		17,103,070	(4,373,950)
VAT		1,889,898	(2,851,762)
Unspent conditional grants and receipts		(3,914,780)	4,908,068
		126,750,570	116,662,722

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

38. Commitments

Authorised capital expenditure

356.	357.	358.	359.
Contract approved and services have been rendered			
• Rehabilitation of streets in all sections		2,172,099	-
• Upgrading Nkhensani access road		578,893	-
• Development of road and stormwater master plan		1,620,888	-
• Civic Centre Office Phase II		-	9,791,925
• Construction of Landfill site and waste Disposal		59,421,770	-
• Bode paving of internal streets		5,457,018	-
• Mageva sports centre		6,862,602	15,658,768
• Electrification of villages :Mhlava - Willem ,Sekhing ,Mbatlo & Shivulani		7,667,934	-
• Homu 14B to 14A upgrading from gravel to tar		16,869,925	-
• Makosha access road upgrading from gravel to paving		28,350,795	-
• Upgrading of Civic Centre parking lot		3,642,888	3,642,888
• Mbaula upgrading from gravel to tar		-	21,715,349
• Upgrading of traffic lights and R81 lights		9,952,458	12,163,183
• Giyani section F streets phase 3 and 4		367,332	9,121,394
• Giyani section E sports centre precinct		16,027,641	18,735,852
• Refurbishment of Giyani stadium and section A tennis court		3,316,836	281,322
• Energising 30 High Mast lights in high crimes zones		-	580,155
• Formalisation of settlement		138,368	276,913
• Upgrading of Makhuva road D3187 from gravel to tar		9,027,938	-
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi		1,563,063	-
• Energising of 51 Highmast lights in high crime prone zones		4,766,908	-
• Rehabilitation of Giyani stadium, Section A tennis court and Shivulani sport		1,456,165	-
• Refurbishment of Shivhulani sports centre		371,656	-
• Refurbishment of Gawula sports centre		661,716	-
		180,294,893	91,967,749
360.	361.	362.	363.
Contract approved but where services have not taken place at the reporting date			
• Electronic document management		456,000	-
• Electrification of Vuhehli, Ndindani, Gawula, Nwakhuwani and Mahlati Villages		-	6,451,013
• Purchase of plumbing material		75,963	-
• Purchase of water tanker		1,182,401	-
• Rehabilitation of streets in all sections		-	2,965,539
• Purchase of artificial lawn		12,480	-
• Public transport shelters - Turnkey		1,571,137	1,571,137
• Purchase of weilding materials		13,729	-
• Upgrading Nkhensani access road		-	1,076,845
• Development of road and stormwater master plan		-	3,620,382
• Upgrading of Makhuva road D3187 from gravel to tar		-	14,956,019
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi		-	6,697,512
• Energising of 51 Highmast lights in high crime prone zones		-	5,435,518
• Rehabilitation of dumping site		-	5,667,045
		3,311,710	48,441,010
364.	365.	366.	367.
Total capital commitments			
Contract approved and services have been rendered	180,294,893	91,967,749	
Contract approved but where services have not taken place at the reporting date	3,311,710	48,441,010	
	183,606,603	140,408,759	

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

Authorised operational expenditure

368.

Contract approved and services have been rendered

- Moveable and immoveable infrastructure assets verification

369. 370.

371.

2,267,122

4,978,122

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

38. Commitments (continued)

• Physical security services at Traffic testing	2,192,025	-
• Office space rental	90,869	224,974
• Land use management scheme	661,674	-
• Property Plant & Equipment Insurance	607,824	-
• Supply and delivery of municipal newsletter	131,250	656,250
• Supply, delivery, installation, maintenance and testing of photocopier services rental	422,355	1,244,056
• Review of the GGM Spatial development framework	989,070	-
	7,362,189	7,103,402

372.

Total operational commitments

Contract approved and services have been rendered

373.

374.

375.

7,362,189

7,103,402

Total commitments

376.

Total commitments

Authorised capital expenditure

Authorised operational expenditure

377.

378.

379.

183,606,603

140,408,760

7,362,189

7,103,402

190,968,792

147,512,162

380.

The following contracts are longer than 12 months

Supply ,delivery installation,maintenance and testing of photocopier services rental

Property, Plant and Equipment Insurance

Rehabilitation of streets in all sections

Electronic Document Management

Review of the GGM spatial development framework

Land use management scheme

381.382.

Contract start
date

383.

Contract end
date

384.

Contract
amount

01/09/2016

31/08/2019

1,823,616

01/07/2017

31/07/2020

982,033

01/12/2016

30/11/2019

2,965,539

01/10/2017

30/09/2020

456,000

29/12/2017

29/12/2019

1,489,069

29/12/2017

29/12/2019

1,131,382

-

-

8,847,639

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality with a minimum lease payments of R 68 283.65 (2018) (R122 425.91:2017) for photocopiers, office property, radiophones and parking at Limpopo Economic Development Agency offices in Giyani. Contingent rent is payable on the number of copies made for the month.

385.

Rental expenses relating to operating leases

Contingent rents

Contractual

386.

387.

388.

93,405

92,730

1,483,175

1,238,027

1,576,580

1,330,757

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

39. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

389. Case Description	390.391. Case Number	392. Represented	393. 2018 Potential Liability	394. 2017 Potential Liability
Makamu Mamayila vs GGM. The claimant is suing the Municipality for the amount of R300 000 for falling into an unclosed municipal drain.	456/15	Baloyi Shirindza Attorneys	120,000	120,000
Nhlovo Sithole vs GGM. The claimant sued the municipality the amount of R400 000 for injuries sustained at the municipal park.	LP/GY/RC11/ 1	M.C. Baloyi Attorneys	300,000	300,000
	-	-	420,000	420,000

40. Related parties

395. Relationships

Accounting Officers
Councillors
Members of key management

396.

Refer to accounting officers' report note
Refer to general information page 1 and 2
N. Mashau - Acting Chief Financial Officer
J. Shivambu - Acting Chief Financial Officer
M.I Khosa - Acting Director Community Services
M.T Shiviti - Director Corporate Services
P.M Mathebula - Director Technical Services
N.J Nkuna - Director Strategic Planning and LED
S.L Mabunda - Acting Director Strategic Planning and LED
M.A Bamuza - Acting Director Strategic Planning and LED
H.D Chauke - Acting Director Corporate Services
N.O.C Mdungadzi - Acting Director Technical Services

Related party balances

Related party transactions

397. Agency Services	398.	399.	400.
Mopani District Municipality			226,696
			318,997
401. Traffic fines	402.	403.	404.
Department of Transport Limpopo Province			6,256,181
			438,150
405. Intermunicipal account	406.	407.	408.
Mopani District Municipality			(15,581,432)
			(9,688,458)

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

41. Prior period adjustment

Certain comparative figures have been corrected and reclassified, and the impact is as follows:

Investment of R 102,965,384.00 in VBS was reclassified from cash and cash equivalents to finance assets.

Provision for impairment of R 14 997 624 was erroneously classified as other trade payable in the prior year.

Receivable from non-exchange transactions of R 14 392 617 was understated in the prior and a retrospective adjustment was made on the completeness of property rates from July 2013 to 30 June 2017.

Property rates of R 2 889 525 was not accounted for due to some properties not being billed.

Traffic fines of R 406 891 was not accounted for due to fines being recognised on estimation.

VAT receivable was understated by R3 553 651.

Increase in intangible assets was understated by R 334 305.

Unspent conditional grant was understated with R 5 722.

Reclassification of other income to other income R 112 596.

Depreciation was understated by R 33 027 526.

Debt impairment was understated by R 384 419 due to traffic fines that were not recognised.

Repairs and maintenance was reclassified as contracted services with an amount of R 16 265 310.

An amount of R 1 209 825 was incorrectly expensed.

Actuarial losses was reclassified with an amount of R 2,356,173.

Interest on overdue accounts was understated by R 2 816 107.

Contracted services of R 40 019 486 was classified under general expenses in the prior year.

General expenses of R 1 531 410 was not accounted for.

Interest on investments was understated by R 171 173 due to accrued interest that was not accounted for.

Employee related costs was understated by R 1 517 068.

Cash and cash equivalent was overstated by R 102 965 384 due to VBS investment which is reclassified as other financial assets and was also overstated by R 1 528 007 due to interest amount duplicated.

Investments property was overstated by R 15 024 000.

Property, plant and equipment was understated by R 297 781 270.

Payables from exchange transactions was understated by R 839 098.

Irregular expenditure was understated by R 4 266 460.

Other receivables were understated by R 210 011.

Commitments were understated by R 5 709 471.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

41. Prior period adjustment (continued)

409. Statement of financial position	410.411. As previously reported	412. Correction of error	413. Re-classification	414. Restated
Other financial assets	-	-	102,965,384	102,965,384
Other receivables from exchange transactions	27,338,688	210,011	(14,997,624)	12,551,075
Receivables from non-exchange transactions	24,939,833	14,392,617	-	39,332,450
VAT receivables	4,552,746	3,553,651	-	8,106,397
Cash and cash equivalents	166,530,477	1,528,007	(102,965,384)	65,093,100
Investment property	26,220,000	(15,024,000)	-	11,196,000
Property, plant and equipment	558,566,680	297,781,270	-	856,347,950
Intangible assets	68,458	334,305	-	402,763
Payables from exchange transaction	(67,799,012)	(839,098)	14,997,624	(53,640,486)
Unspent conditional grants and receipts	(9,374,624)	(5,722)	-	(9,380,346)
	731,043,246	301,931,041		- 1,032,974,287

415. Statement of financial performance	416.417. As previously reported	418. Correction of error	419. Re-classification	420. Restated
Rental of facilities and equipment	880,126	-	(112,596)	767,530
Interest received (overdue accounts)	5,645,953	2,816,108	-	8,462,061
Other income	1,841,546	-	112,596	1,954,142
Interest received-investment	15,174,630	171,173	-	15,345,803
Property rates	33,865,255	2,889,525	-	36,754,780
Traffic fines	31,259	406,891	-	438,150
Employee related costs	(119,525,379)	(839,105)	2,356,173	(118,008,311)
Depreciation and amortisation	(38,502,783)	(35,908,224)	-	(74,411,007)
Repairs and maintenance	(16,265,310)	-	16,265,310	-
Debt impairment	(25,229,239)	(384,419)	-	(25,613,658)
Contracted services	-	-	(40,019,486)	(40,019,486)
Actuarial losses	-	-	(2,356,173)	(2,356,173)
General expenses	(99,978,332)	1,531,410	23,754,176	(74,692,746)
	(242,062,274)	(29,316,641)		- (271,378,915)

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: (fair value interest rate risk and cash flow interest rate risk), and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiations of terms were made on any of these instruments.

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

42. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

421.		422.	423.
Financial instrument		2018	2017
Interest rate swap		11,958,996	14,711,729

Cash flow risk

424.	425.	426.	427.	428.	429.	430.
Financial instrument		Due in less than a year	Due in one to two years	Due in two to three years		
Trade and other receivables		25,903,945	52,278,521	66,111,835		
Finance lease obligation		1,769,811	-	-		
Cash and cash equivalent		14,639,964	65,093,100	180,005,001		
Trade and other payables		58,014,435	67,799,012	69,940,115		

43. Deviations

431.	432.	433.	434.
Association Asphalt Equipment (PTY) LTD [Section 36 (1) a (i)]		1,133,018	
T H Chavalala [(Section 36 (1) a (v)]		122,879	
T H Chavalala [(Section 36 (1) a (v)]		123,640	
Traffic Signals & Accessories (PTY) LTD [Section 36 (1) a (i)]		94,962	
Eulitsaki Construction and Cleaning (Section 32 (1) (a))		984,617	
Mavambo ITS (Section 32 (1) (a))		346,992	
		2,806,108	

44. Fruitless and wasteful expenditure

435.	436.	437.	438.
Opening balance		1,652,845	7,574
Add: Fruitless and wasteful expenditure for current year		173,262	1,645,271
Less: written off		(1,600,000)	-
		226,107	1,652,845

No disciplinary steps were taken as a consequence of above expenditure. Current year fruitless and wasteful expenditure comprises of the following:

Interest for late payments to Eskom - R 16 661.22

Interest for late payment to Auditor General South Africal - R223.27

Interest for late payment to Compesation Commissioner - R 154 261.90

Interest on late payment to Old Mutal Pension - R 1 774.59

Greater Giyani Municipality

(Registration number LIM331)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

45. Unauthorised expenditure

439.	440.	441.	442.
Opening Balance		11,544,739	-
Add: Unauthorised expenditure incurred during the year		206,452,633	11,544,739
		217,997,372	11,544,739

46. Irregular expenditure

443.	444.	445.
Opening balance	12,997,781	7,308,784
Add: Irregular Expenditure - current year	2,929,999	5,688,997
	15,927,780	12,997,781

MPAC is currently busy with the investigations in line with Section 32 of the MFMA.

Irregular expenditure incurred during the year is VAT inclusive.

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

446.	447.	448.	449.
Current year subscription / fee		5,146,249	3,225,870
Amount paid - current year		(5,146,249)	(3,225,870)
		-	-

VAT

450.	451.	452.	453.
VAT receivable		6,216,499	8,106,397

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

454. 30 June 2018	455. Outstanding less than 90 days R	456. Outstanding more than 90 days R	457. Total R
Cllr Mboweni Agrey Ernest	1,261	43,468	44,729
Cllr Chauke Mukhacani Juring	1,414	39,891	41,305
Cllr Makamu Mafakhale Alpheus	436	1,566	2,002
Cllr Manganyi Khazamula Abraham	1,175	5,206	6,381
Cllr Shivambu Hasani Richard	1,126	11,889	13,015
	5,412	102,020	107,432

458. 30 June 2017	459. Outstanding less than 90 days R	460. Outstanding more than 90 days R	461. Total R
Cllr Manganyi Khazamula Abraham	1,129	5,857	6,986
Cllr Bilankulu John Hlengani	893	440	1,333
Cllr Baloyi Tintswalo Elizabeth	1,820	12,657	14,477
Cllr Mboweni Agrey Ernest	1,735	35,757	37,492
Cllr Chauke Mukhacani Juring	1,814	31,724	33,538
Cllr Makamu Mafakhale Alpheus	1,024	8,019	9,043
Cllr Shivambu Hasani Richard	1,277	14,827	16,104
Cllr Shibambu Basani Agnes	1,348	4,989	6,337
	11,040	114,270	125,310

48. Supply in-service state

462.	463.	464.	465.
Employee in service of state (Four awards)		1,383,914	
Interest due to business associates		368,552	
		1,752,466	-



Chapter 6

AUDITOR-GENERAL'S REPORT

Report of the auditor-general to Limpopo provincial legislature and the council on Greater Giyani Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Greater Giyani Local Municipality set out on pages 1 to 73, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets and 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, because of the significance of the matters described in the basis for adverse opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Greater Giyani Local Municipality as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with applicable South African Standards if Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Provision for rehabilitation of dumping site

3. I was unable to obtain sufficient appropriate audit evidence for the current and prior year's provision for the rehabilitation of a dumping site due to non-submission of information in support of the provision. I was unable to confirm the provision by alternative means. Consequently, I was unable to determine whether any adjustment to provision for rehabilitation of dumping site stated at R14 360 144 (2017: R14 360 144) in note 18 to the financial statements was necessary

Cash flow statement

4. The financial statements were materially misstated due to material uncorrected misstatements in the following items disclosed in the cash flow statement:
 - Receipt from operating activities were overstated by R56 458 081.
 - Payments from operating activities were understated by R 47 249 495.

Payables from exchange transactions

5. During 2017, I identified a difference of R7 789 292 between payables from exchange transactions as per note 19 to the financial statements and the underlying accounting records. My opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the payables from exchange transactions and the accumulated surplus for the period.
6. During 2017, the municipality did not fully account for payables from exchange transactions, as accruals and general expenditure amounting to R4 898 638 were not recorded. My opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the payables from exchange transactions and the accumulated surplus for the period.

Statement of changes in net assets

7. I was unable to obtain sufficient appropriate audit evidence for some of the transactions included in the statement of changes in net assets, I have identified unreconciled differences of R13 004 118 from the underlying records as well as the correction of errors made. In addition, I have identified a difference of R320 310 282 between the amount disclosed as prior period errors in note 41 and the statement of changes in net assets. Consequently, I was unable to determine whether any further adjustment were necessary to accumulated surplus stated at R878 621 804 (2017: R 1 006 358 405).

The municipality did not disclose the quantitative disclosures in the financial statements as required the SA Standards of GRAP 104, *Financial Instruments*.

Context for the opinion

8. 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.

9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Material Impairments

12. As disclosed in note 30 to the financial statements, an impairment of other financial assets of R159 262 692 was made as a result of investments in VBS Mutual Bank which could possibly result in the capital and interest invested not being recoverable.
13. As disclosed in note 32 to the annual financial statements, debt of R39 446 458 was impaired as a result of inadequate collecting systems.

Restatement of corresponding figures

14. As disclosed in note 41 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.

Other Matters

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

Unaudited supplementary schedule

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

Unaudited disclosure notes

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

Responsibilities of accounting officer for the financial statements

18. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the PFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
19. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

22. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against

predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

23. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
24. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Key Performance Area	Pages in the annual performance report
KPA 3: Basic service and infrastructure development	29 – 64

25. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
26. I did not raise any material findings on the usefulness and reliability of the reported performance information for the KPA 3-basic service delivery and infrastructure development.

The reported achievement for the target of 269 households at Gandlanani and Silawa connected with electricity by 31 December 2016 was misstated as the evidence provided indicated 236 and not 269 as reported.

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. Refer to the annual performance report on page(s) 1 to 53 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 3: Basic service delivery and infrastructure development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

30. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Strategic planning and performance management

32. The service delivery and budget implementation plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection and monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

Annual financial statements, performance and annual report

33. The financial statements submitted for audit were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.
34. Material misstatements of non-current assets, current assets, revenue, expenditure and closure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion

Procurement and contract management

35. Bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulations 8 (2)
36. Some of the 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 2017 preferential procurement regulations 8(5)
37. Some 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 2017 preferential procurement regulations 8(5)
38. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of Supply Chain Management regulations 17(a) and (c). similar non-compliance was also reported in the previous year.

Asset management

39. Funds were invested/ deposited at VBS Mutual Bank and Mopani District Municipality in contravention of municipal investment regulation 6.

Revenue management

40. An effective system of internal control for receivables and revenue was not in place as required by section 64(2)(g) of the MFMA.

Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R206 452 633 as disclosed in note 45 to the financial statements, in

contravention of section 62(1)(d) of the MFMA. The majority of of the unauthorised expenditure was caused by the impairment of the VBS Mutual Bank investments.

43. Reasonable steps were not taken to prevent irregular expenditure amounting to R2 929 999 as disclosed in note 46 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by deviations from the procurement processes.

Consequence management

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

Other information

45. 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 key performance areas presented in the annual performance report that have been specifically reported in this auditor's report
46. My opinion on the financial statements and findings on the reported performance information and compliance with legislations do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
47. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
48. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

49. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
50. The municipality did not create an environment which is conducive for ethical behaviour, which subsequently resulted in some of the senior officials being suspended and investigated.
51. Adequate oversight, supervision and review over the operations of the municipality was not exercised resulting in over reliance on consultants and municipal officials not taking ownership of overall work performed for compliance, financial and performance reporting.
52. An action plan was developed to address internal control deficiencies, however the plan was not adequately monitored, hence the recurrence of findings identified in the prior year.
53. Although some of the controls and review over daily and monthly recording and reconciliation of transactions and account balances are in place, management did not monitor controls and review daily and monthly recording and reconciliation of transactions and account balances consistently, resulting in material non-compliance with legislation, submission of financial records and performance information which were not accurate and complete.
54. Infrequent meetings of the risk committee, management not implementing the recommendations of internal audit and late submission of the financial statements and performance information for review to the oversight bodies resulted in the poor quality of financial statements and performance report being submitted for audit

Other reports

55. 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.
56. The municipality has initiated an internal investigation relating to alleged financial misconduct against the supply chain manager. The investigation was in progress at the date of this auditor's report.

Polokwane

7 December 2018



Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with 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 statement 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 material misstatements 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 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 ongoing 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 Greater Giyani Municipality’s ability to continue as an ongoing 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 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 the 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 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.

ANNEXURE A

2017/2018 ANNUAL PERFORMANCE REPORT

ANNEXURE C

2017/2018 AUDIT ACTION PLAN

