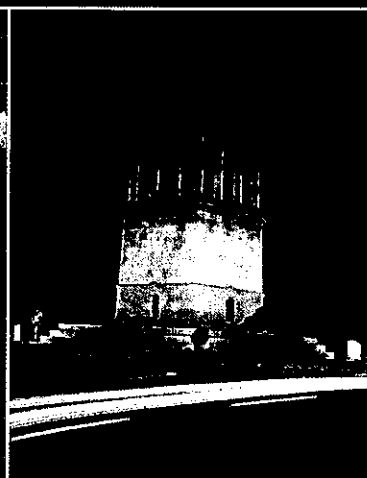
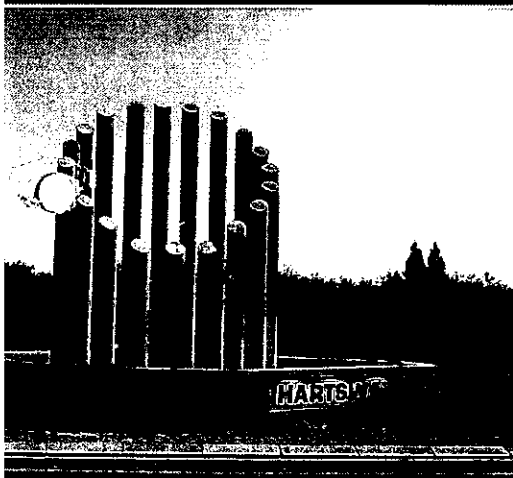


Frances Baard District Municipality



**ANNUAL REPORT
2007 / 2008**

Frances Baard District Municipality

**Annual Report
2007/2008**



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FOREWORD BY EXECUTIVE MAYOR

The 2007/2008 Annual Report reflects on the performance of the Frances Baard Municipality for the period 1 July 2007 to 30 June 2008. The Annual Report is prepared in terms of section 121(1) of the Municipal Finance Management Act (MFMA), and Section 46(1) of the Municipal Systems Act, 2000 in terms of which the Frances Baard Municipality must prepare an Annual Report for each financial year. Circular 11 of the MFMA also provides guidance on the formulation and preparation of the Annual Report.

As the Frances Baard District Municipality we are mindful of the progress made in building a stable and financially viable and sustainable municipality. In addition we are succeeding in grappling with the complex multiple processes of planning espoused in the District Growth and Development Strategy (DGDS), Integrated Development Plan (IDP), Local Economic Development (LED), Spatial Development Framework and the NSDP Alignment Strategy. Through these strategic documents, the district seeks to address various challenges of urbanisation and migration, economic development, poverty, job creation, service delivery and many more. All these factors have influenced what we are presenting in this annual report.

Democracy in South Africa is underpinned by a contract between the governed (i.e. the citizenry) and the authority that governs. This is especially true at local government level, which is the closest sphere of government to the citizenry. In terms of this social contract, elected leaders are required to involve citizens in decisions regarding their own government, including the determination of priorities and key programmes of the municipality. Local government is best positioned to create the participatory framework that defines and enhances the relationship between representatives and the citizenry. Part of this mandate requires that the leadership of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

Frances Baard is the hub of development in the Northern Cape Province. This in itself creates unique challenges for the municipality considering its size. At a time like this we therefore have to look back on what the municipality has achieved, where we have failed and where we still need to make improvements. In the year under review we have managed to build on the solid foundation that has already been built since the transformation of local government in 2000. The five year strategic agenda for the development of local government is on course.

Through the shared service model, our attention has been devoted to supporting local municipalities' capacity to deliver services.

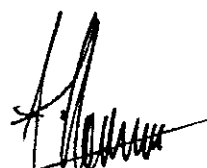
Due to the skills gap and the challenges of recruiting qualified and experienced personnel, the municipality has succeeded in creating a pool of engineers, IT technicians, auditors, financial practitioner at the district to serve the local municipalities. Positive spin-offs are already visible. Our Operation and Maintenance support to municipalities in the district has grown in leaps and bounds and the advantages of this strategy is surely contributing to ensuring efficient and effective operation within each municipality.

We have to admit that although we have managed to achieve a number of milestones, we are not yet a picture of perfection. If we were, there would be no more room for improvement and we are all aware that this is certainly not the case. We have to acknowledge that if municipalities in our district have problems, then so do we. We again have not yet adequately addressed economic development in our district, and this need to be a more intense area of focus now that we have approved our strategy on Growth and Development Strategy. We have to ensure that our programmes are aligned with National and Provincial priorities, whilst prioritising those most acute needs at a local level. We have to insist on the participation of national and provincial departments in our IDP's.

In terms of the Service Delivery and Budget Implementation Plan (SDBIP) each Department in this municipality has been conscience of the determined goals, objective and key performance indicators, and these have been reported upon through the performance management system. Council's oversight role has been adequately exercised. We are still challenged to ensure that we have a lean but productive and efficient administration, and to free as much of our resources for direct investment to benefit our community.

We are proud to maintain an unqualified audit report for the second year running. This achievement should in no way make us to rest on our laurels. In the 2009/2010 financial year the Auditor General will for the first time do a thorough performance audit, and it is consequently imperative that we comply equally to this daunting challenge.




Executive Mayor
Achmat Florence



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CHAPTER 1

INTRODUCTION & OVERVIEW

Geographic Profile

The district municipality (DC9) is located in the far western portion of the North Cape Province. It shares its northern border with the North West Province and its eastern with the Free State. It consists of 4 local municipalities namely: Dikgatlong, Magareng, Phokwane and Sol Plaatje; as well as a District Management Area (DMA). The geographical area of the province is 12349.4822 square kilometres.

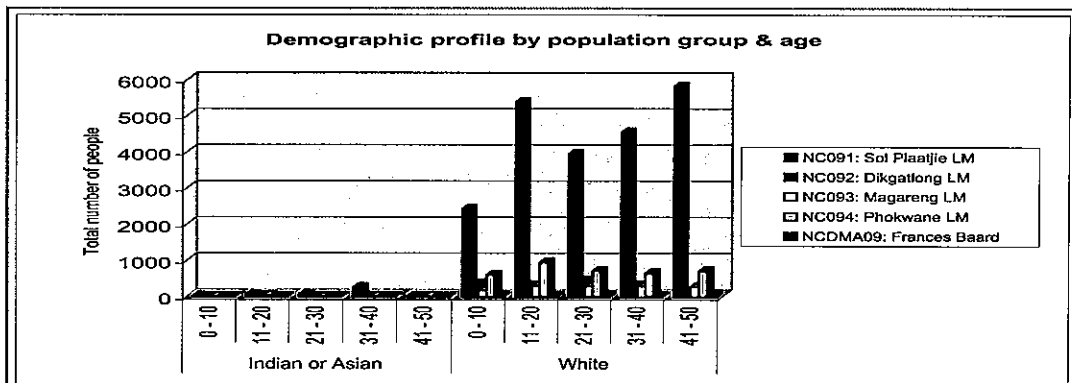
Internal and External changes

As a dynamic organization, the FBDM like most organizations is adapting and aligning itself to changes in the environment. In order to sustain its developmental status, the FBDM has continued to re-engineer its organization structure to meet its constitutional and legal obligations.

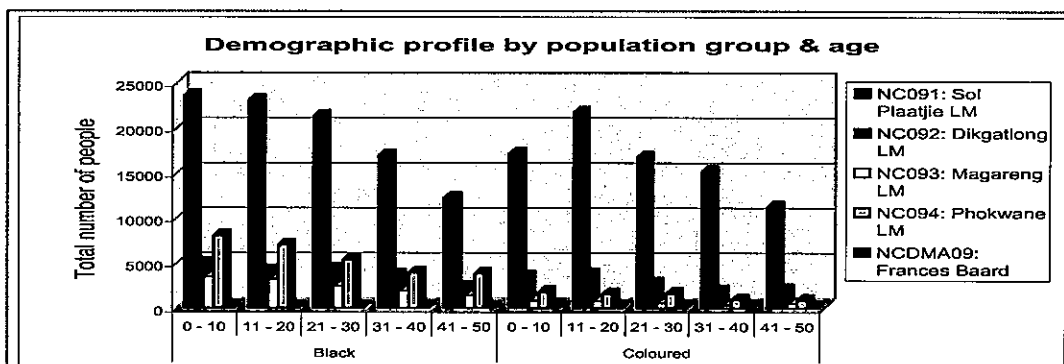
In particular, the shared service concept has been taken to a higher level through the creation of scarce skills positions at the district municipality. These changes have enabled the FBDM to establish and recruit engineers, auditors, financial practitioners, IT specialist, Town Planner, and GIS. In addition to the internship programmes in these scarce fields, the changes have impacted positively on service delivery in the district.

Sound financial management is the cornerstone for effective and efficient performance of the municipality. In order to ensure that the constituent local municipalities emulate the district in running their financial matters, the FBDM begun a process of implementing a unified financial system and changes in this regard will improve not only the management of finances in the municipalities in terms of the MFMA but also increase public confidence in the system of local government.

Demographic Profile*



	Indian or Asian					White				
	0 - 10	11 - 20	21 - 30	31 - 40	41 - 50	0 - 10	11 - 20	21 - 30	31 - 40	41 - 50
NC091: Sol Plaatje LM	9	82	68	256	3	2426	5390	3951	4551	5823
NC092: Dikgatlong LM	3	23	-	-	3	358	3011	434	317	141
NC093: Magareng LM	-	30	-	15	15	169	297	290	290	283
NC094: Phokwane LM	-	-	-	-	-	602	957	719	650	714
NCDMA09: Frances Baard	-	-	9	-	-	27	24	36	20	78

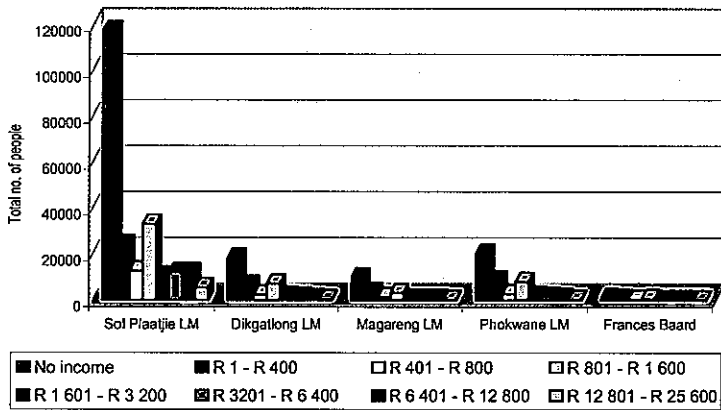


	Black					Coloured				
	0 - 10	11 - 20	21 - 30	31 - 40	41 - 50	0 - 10	11 - 20	21 - 30	31 - 40	41 - 50
NC091: Sol Plaatje LM	23619	23098	21313	16942	12248	17168	21708	16746	15151	11278
NC092: Dikgatlong LM	4883	4149	4354	3675	2336	3509	3746	2763	1905	2028
NC093: Magareng LM	3462	3157	2394	1920	1385	812	782	542	317	503
NC094: Phokwane LM	8044	7016	5345	3917	3830	1796	1549	1607	923	880
NCDMA09: Frances Baard	212	152	113	199	112	423	219	198	272	116

* Community Survey 2007, Statistics South Africa

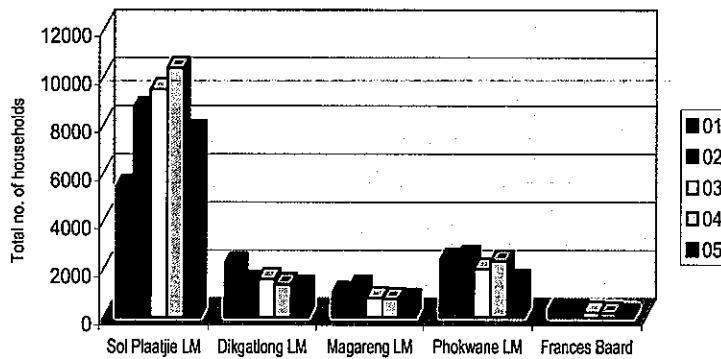
Household Statistical Information*

Household monthly income



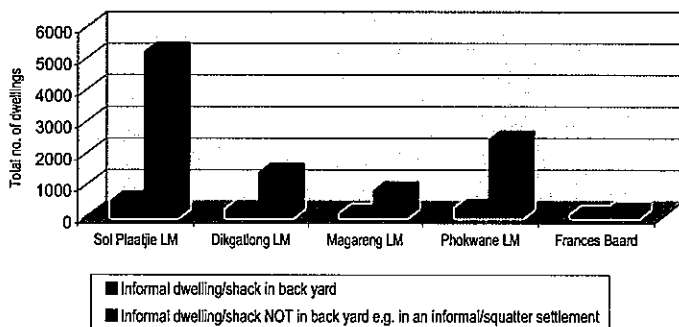
	No income	R 1 - R 400	R 401 - R 800	R 801 - R 1 600	R 1 601 - R 3 200	R 3 201 - R 6 400	R 6 401 - R 12 800	R 12 801 - R 25 600
Sol Plaatjie LM	117518	24122	12654	33017	10567	12150	11979	5421
Dikgatlong LM	18453	6510	2272	7116	1782	1291	656	241
Magareng LM	9904	3416	1162	3109	400	374	485	92
Phokwane LM	20262	8697	2660	7895	1849	1506	943	202
Frances Baard	962	485	293	484	69	57	41	37

Household Size



	01	02	03	04	05
Sol Plaatjie LM	5452	8704	9472	10359	7738
Dikgatlong LM	2240	1486	1587	1368	1278
Magareng LM	1021	1281	807	764	734
Phokwane LM	2406	2526	2003	2338	1527
Frances Baard	311	305	196	178	108

Informal Housing



	Informal dwelling/shack in back yard	Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement
Sol Plaatjie LM	505	5205
Dikgatlong LM	204	1392
Magareng LM	72	818
Phokwane LM	251	2432
Frances Baard	30	154

* Community Survey 2007, Statistics South Africa

Executive Summary

Vision, Mission and Values

Vision

The Frances Baard District Municipality will be a municipality with a clear developmental focus, providing quality services to all its people.

Mission

The Frances Baard District Municipality is committed to provide and improve the quality of services and therefore improve the lives of all its communities by:

- Promoting Social and Economic Development
- Providing and maintaining affordable and optimal quality services
- The economic, efficient and effective utilisation of all its available resources, and;
- Effective Stakeholders and Democratic Community Participation

Key Performance Areas (KPA's)

- Municipal Transformation and Institutional Development
- Local Economic Development (LED)
- Basic service delivery and infrastructure investment
- Financial Viability and Financial Management, and
- Good Governance and Community Participation

District-wide priority issues

- Water
- Land
- Sanitation
- Housing
- LED
- Electricity
- Health services; HIV/Aids
- Roads and stormwater
- Waste management
- Education facilities
- Safety and security
- Tourism development
- Sports, arts and culture
- One-stop-service / government services
- Cemeteries
- Welfare services / social development
- Institutional development
- Improved service delivery
- Anti-corruption
- Community participation
- Telecommunication services
- Labour relations
- Illiteracy training
- Communication
- Disaster management



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The overall goals and objectives encapsulated in the Key Performance Areas have enabled the municipality to impact positively on service delivery in the FBDM.

The following comparative strides has been achieved:

- Status quo: 88,5% (07/08 fiscus) of households have access to sanitation compared to (79% between 2000 - 2005). Current backlog is estimated at 9,568 compared to 18,892 households below RDP standards (2000 - 2005)
- 97,2% of households have supply of water to RDP standard. Delivery 2001 - 2008: 13,387 households. District-wide backlog of 2,307 households (below RDP standard)

The FBDM strives to promote sound financial management and good governance in order to perform and sustain its developmental role. In order to do this, Council follows a practice of sound, conservative budgeting aimed at enhancing financial resources through maximised revenue collection and controlling costs to the minimum necessary expenditure.

Council also utilizes all possible sources of external financing to supplement its own infrastructure investment strategies, including the use of State grants and loan funding from the Development Bank of Southern Africa.

Integrated Development Planning (IDP) is the corner stone of facilitating sustainable development in the District. Given the nature of the Integrated Development Plan, it was necessary to revise and update financial strategies on a continuous basis. Pre-determined key performance indicators in the IDP and operational outcomes have informed and driven the financial planning process about what is financially affordable given the financial targets and expenditure limits determined by National Treasury.

The outcome of the key strategic goals and priorities with regard to the impact on the community is the reduction of backlogs in infrastructure e.g., increased access to free basic services, increased community participation in affairs of the municipality, customer care, job creation and poverty alleviation, increased economic growth, safe and healthy environment.

Although access to municipal services such as water, electricity, sanitation and refuse removal in general is higher than the provincial average and compares favourable to the national average the District Municipality remains focus to eradicate backlogs concentrated in the three project consolidate municipalities of Dikgatlong, Sol Plaatje (URP Node) and Phokwane.

The District Municipality awarded 49,96% of the a total approved expenditure budget to towards infrastructure and other special projects as identified in the IDP for the financial year under review.

The economic growth of the Frances Baard District (consisting of Sol Plaatje, Dikgatlong, Magareng and Phokwane Municipality) is 3,7% per annum which is above the national average of 2,5% per annum and the fifth highest growth rate of all districts in the country according to a survey done by CSIR over the period 1995 to 2003. The Community Wealth (Reserves and Unappropriated Surplus) has grown from approximately R65,33 million to approximately R68,71 million for the financial year under review. All of the provisions and resources are cash backed.

Council holds a substantial amount of conditional grants and receipts. The amount allocated in terms of DoRA decrease for the financial year under review due to the fact that most of the national grants have been directly allocated to the Category B municipalities, it is envisaged that most of the remaining unspent grants will be expended before the end of the next financial year as per already approved business plans.



PERFORMANCE HIGHLIGHTS

Frances Baard District Municipality (FBDM) renders a wide range of services and technical assistance to communities and local municipalities in the region.

These services include:

- Free Basic Services in the DMA
- Infrastructure
- Operation and Maintenance
- Roads Agency
- Housing

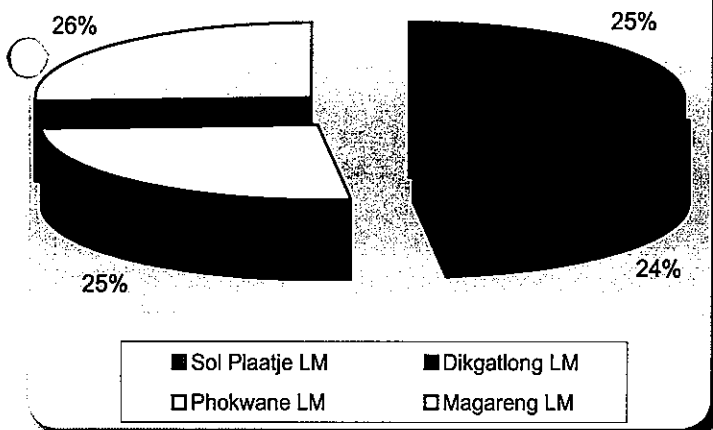
The Department of Technical Services is involved in improving infrastructure and engineering services throughout the region. Several funding sources are utilized to reach the national targets in backlogs on services.

Capital Programme

FBDM makes funding available to develop infrastructure in the region. Spending is targeted to improve basic services and to reach the national targets. The total allocation for the 2007/08 financial year were R17 194 771 which was distributed as follows between the local municipalities:

• Dikgatlong Municipality	-	R 4 049 821
• Magareng Municipality	-	4 419 950
• Phokwane Municipality	-	4 500 000
• Sol Plaatje Municipality	-	4 225 000
		<u>R17 194 771</u>

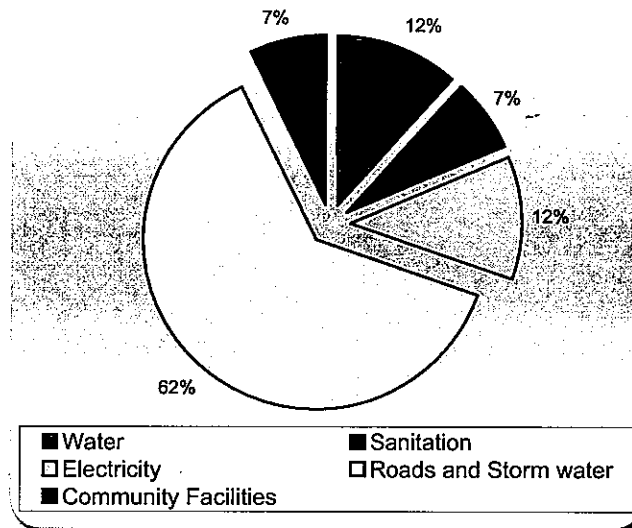
Spending per local municipality



The allocation was split between the following basic services:

- Water
- Sanitation
- Electricity
- Roads and Storm water
- Community Facilities

Allocation per basic service rendered



Municipal Infrastructure Grant

The MIG-funding goes directly to the local municipalities but some of our allocations is used as counterfunding for projects where MIG did not provide funding for the total cost of certain projects.

The FBDM's technicians assist the smaller local municipalities with the planning of their MIG projects. Regular PMU meetings were held between the District Municipality, Local Municipalities and the Department of Housing and Local Government to co-ordinate and plan MIG projects.

Equitable Share

The Equitable Share is used to develop infrastructure in the DMA and to provide free basic services to the small community at Koopmansfontein. During the 2007/08 financial year the major part of this allocation, namely R1,200,000 was budgeted for the supply of potable water to the farming community at Olierivier.

This community used water directly from the Vaal River for years. The allocation was used to purify water by means of a package plant and to install a proper distribution system. The rest of the allocation was used to provide free basic services and to upgrade infrastructure.



Operation & Maintenance (O&M)

Municipalities often lack the capacity and funding to properly operate and maintain the service infrastructure upon which effective delivery depends.

A lack of municipal funds often leads to cuts in O&M budget and expenditure, resulting in poorly maintained infrastructure and other assets which in turn affects service delivery.

The need to provide assistance in this field became very urgent. FBDM got involved in a pilot program with several roleplayers that include the Department of Housing and Local Government, Development Bank of Southern Africa, Sida and the Department of Water Affairs and Forestry.

A total amount of R5,223,287 was spent on O&M activities in local municipalities. Spending was mainly aimed at improving the quality of drinking water and waste water. The spending is still more re-active than pro-active. In order to address this three (3) engineering technicians were appointed.

It is envisaged that in future this support unit will be able to assist in a more pro-active way to build capacity and to implement systems that will improve the day-to-day operation and maintenance of infrastructure in the District.

Eradication of Buckets

The programme continued throughout the year and problems with a contractor were the reason the deadline was not met. Smaller work had to be completed but by the end of the financial year the project was almost completed. An amount of R3,382,406.72 was spent during this financial year.

Job Creation

Frances Baard District Municipality remains committed to the principles of the Expanded Public Works Program (EPWP). Included in funding agreements with local municipalities is a clause stating that local labour should be used as extensively as possible and they should adhere to the EPWP principles as far as possible.

Municipalities are expected to report on this on a monthly basis. During the financial year a total number of 209 jobs were created by these projects.

Housing

The District Municipality is in the process to get accredited to do the Housing Function. During the year a Housing Manager and a HSS Clerk was appointed. The District Municipality will soon be in a position to apply for phase 1 accreditation.

Roads Maintenance

In the Northern Cape the maintenance of some proclaimed roads is done by district municipalities on behalf of the Department of Roads, Transport and Public Works. FBDM therefore is responsible for the routine maintenance on proclaimed gravel roads in its area of jurisdiction.

A Service Level Agreement regulates this function. Each year the District Municipality prepares a Business Plan after the allocation for the financial year was received from the Department. The allocation for the 2007/08 financial year was R6,033,600.

There were several problems regarding this service and it is very difficult to maintain gravel roads to the satisfaction of the road user.

Some of the issues are:

- Insufficient funding
- Availability of plant
- Moratorium on new appointments (since 1996)
- The fact that no roads can be regravelled.

Mechanical Support Function

The Mechanical Section is in essence there to support the Roads Maintenance function. This section is funded through the plant hire component when the plant is used during maintenance activities.

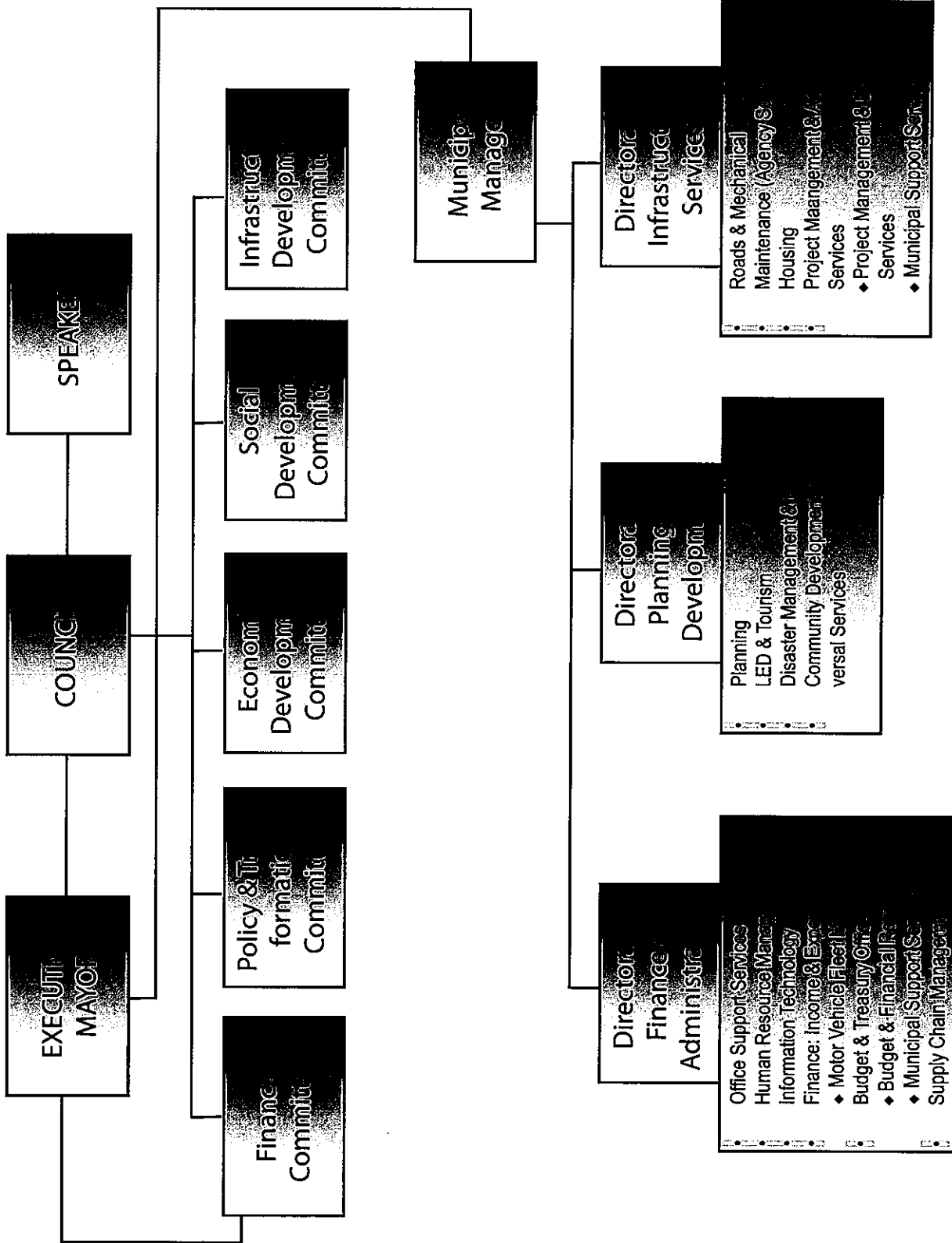
The Mechanical Section struggles to be a financially viable unit. Despite several measures to improve the financial situation at the Mechanical Section it still operates at a loss, which has a negative impact on the maintenance of roads.

Building and Zoning Plans

Applications outstanding 01 July 2007	Category	No. of new applications received in 2007/08	Total value of applications received in Rand	Applications outstanding 30 June 2008
Nil	Residential New	Nil	Nil	Nil
Nil	Residential Additions	Nil	Nil	Nil
Nil	Commercial Farming	Nil	Nil	Nil
2	Recreation Facilities	Nil	Nil	Nil



HUMAN RESOURCE & ORGANISATIONAL MANAGEMENT



Skills development

The Council recognises that raising motivation and skills levels is essential to continued improved service delivery. As a result skills development of the employees of Council is a top priority. Skills development is aimed at developing skilled employees to perform their jobs to acceptable standards.

This includes re-skilling (when employees move to new roles and/or new systems) and up-skilling (as part of continuous improvement).

The Skills Development programme planned for 2007/08 financial year targeted all employees from executive to elementary levels.

In terms of Section 83(1) of the MFMA (Act No.56 of 2003), "the accounting officer, senior managers, the chief finance officer and other financial officials of a municipality must meet

the prescribed financial management competency levels" that are key to the successful implementation of this Act. The National Treasury has since prescribed such financial management competencies. The FBDM is participating in the Certificate Programme in Management Development for Municipal Finance (CPMD) offered by the Wits Business School. Council also resolved to send councilors serving on the Mayoral Committee and Finance Committee on this training.

Twelve Councillors attended the Executive Leadership Municipal Development Programme (ELMDP). The training of councilors and managers is contributing immensely in promoting good governance within the municipality.

An increased number of officials also make use of the Council bursary scheme to improve on their qualifications.

Table 3 below represents the skills profile of the District.

Table 3

OCCUPATIONAL CATEGORIES	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL		PWD	
	M	F	M	F	M	F	M	F	M	F	M	F
LEGISLATORS												
Executive Mayor			1						1			
Speaker		1								1		
Councillors	9	4	3	3			2	2	14	9		
DIRECTORS AND CORPORATE MANAGERS												
Municipal Manager	1								1			
General Managers		1					2		2	1		
Human Resource Manager	1								1			
Policy and Planning Managers	1						1		2			
Engineering Manager							1		1			
Construction Manager							1		1			
Commissioned Fire Officer			1						1			
Environmental Manager			1						1			
Housing Manager		1								1		
LED Manager			1						1			
Audit Manager	1								1			
Office Manager										1		
PROFESIONALS												
Corporate Services: Community Development	1								1			
Communications				1						1		
Local Economic Development			1						1			
Information Technology	1								1			
HR and Training	1								1			
PROFESIONALS continued												
Financial Services: Client Services	3	2	1				1	5	5	7		
Environmental Management: Environmental Health		1					1		1	1		
Municipal Planning: IDP/Urban Planning	1	1							1	1		
Land Use Management							1		1	-		
Technical Services: Roads and Stormwater				1					-	1		
TECHNICIANS AND TRADE WORKERS												
Corporate Services: Information Technology												
Community Services: Parks	3								3			
Technical Services: Roads and Stormwater		1	5						5	1		
COMMUNITY AND PERSONALSERVICE WORKERS												
Corporate Services: Core Administration	2	1		1					2	2		
CLERICAL AND ADMINISTRATIVE WORKERS												
Corporate Services: Core Administration	7	6	1	4				5	8	15		
Core Finance							1	1	1	1		
MACHINE OPRATORS AND DRIVERS												
Corporate Services: Core Administration	1	1							1	1		
Technical Services: Roads and Stormwater	8								8	-		
LABOURERS												
Corporate Services: Core Administration	3	5	1						4	5		
Technical Services: Roads and Stormwater	23		1						24	-		
TOTAL	67	25	17	10	0	0	11	14	95	49		

Employment equity

The employment equity plan of the municipality aims to:

- Foster diversity in the workplace
- Eliminate all forms of discrimination
- Ensure that all people in South Africa are equitably represented within the municipal administration
- Prepare the ground for effective achange through appropriate and ongoing investment in training and development
- Provide reasonable accommodation of designated groups, and in particular people with disabilities

The 3-year employment equity plan is in its second year of implementation. The plan intends to address numerous employment equity imbalances through auditing of existing human resources policies.

Some employment policies and practices have been reviewed and are in line with best practice and legislative requirements.

Table 2 below represents the employment profile of the District.

Table 2

Occupational Categories	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers	3	3	1	1	1	0	1	4	1	0	15
Professionals	3	1	0	3	0	0	5	1	0	0	13
Technicians and associate professionals	7	3	0	8	1	0	0	2	0	0	21
Clerks	7	1	0	9	4	0	4	0	0	0	25
Service and sales workers	1	0	0	0	1	0	0	0	0	0	2
Skilled agricultural and fishery workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related trades workers	3	2	0	1	0	0	0	1	0	0	7
Plant and machine operators and assemblers	7	0	0	1	0	0	0	0	0	0	8
Elementary occupations	26	2	0	3	0	0	0	0	0	0	31
TOTAL PERMANENT	47	7	0	20	6	0	7	3	0	0	90
Non – permanent employees	10	5	1	6	1	0	3	5	1	0	32
GRAND TOTAL	57	12	1	26	7	0	10	8	1	0	122

Overall Staff complement of 122 and a total of 182 funded posts.



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The Institutional Plan

The institutional plan is still being used as the guiding framework for institutional transformation within the district municipality. Great strides have been made in the pursuance of the transformation agenda. The developmental mandate assigned to the municipality by the Constitution and relevant legislation calls for drastic reorientation of the municipality.

Various policies were developed / revised and these include:

- Subsistence & Travelling Policy
- Goodwill Fund Framework
- Policy on electricity subsidy for farmworkers
- Supply Chain Management Policy
- Employee Study Assistance Policy
- Asset Management Policy
- Credit Control, Debt Collection & Indigent Policy
- Fleet Management Policy
- Tariff Policy
- Draft By-law: Provision of Water Services
- Draft By-law: Establishment of Management of Cemeteries

Employee Assistance Programme

The Employee Assistance Programme offers specific interventions to employees experiencing problems in the following areas:

- Marital, family and relationship problems;
- Substance abuse (alcohol, drugs, prescription medication) and other addictive behaviour such as gambling;
- HIV / AIDS Counselling;
- Workplace Violence and Trauma Counselling;
- Workplace discrimination or victimisation, for example discrimination against people with disabilities or from designated groups;
- Personal debt and financial management problems;
- Stress (family, social, job); Family violence;
- Psychological problems;
- Sexual harassment;
- Work related conflicts.

The programme through the afore mentioned interventions afford employees the following benefits:-

- Addressing problems early prevents complications that negatively affect both work performance and life in general.
- Sustained optimal functioning of staff leads to greater productivity and improved quality of life for individuals and their families
- Providing of an EAP encourages an organizational culture in the district municipality that is both task oriented and caring.

Confidentiality underpins the consultation processes in the Employee Assistance Programme. Employee access to the programme is voluntary.

Performance Management

The Performance Management System in Local Government can be defined as a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining roles of the different role-players. The Performance Management System links the vision, mission and key objectives of the municipality with operational activities of individual employees, with the view of ensuring increased, efficient and effective service delivery.

Current Status

The Performance Management System (PMS) in the municipality was reviewed in terms of Section 40 of the Municipal Systems Act (Act 32 Of 2000) and Section 25 of the Regulations for Performance Management (Regulations No. R805 of August 2006).

The review process included a number of core components of which the following could be highlighted:

- Performance Agreements for section 57 managers as well as for all line managers and supervisors were reviewed in terms of the objectives, key performance indicators, targets and weights to link seamlessly with the goals, objectives and key performance indicators of the municipality as captured in the approved Integrated Development Plan of the municipality
- Furthermore, the performance agreements with the applicable appendices were also based and linked to the Service Delivery and Budget Implementation Plan (SDBIP) of the municipality
- Quarterly Institutional and individual performance reports were linked to the SDBIP and the budget in a format approved by Council and in compliance with the applicable legislation for Performance Management.
- Internal and External auditing of the PMS in the municipality reflected positively on implementation and reporting regarding the performance management system in the municipality.
- Measurements were indicative of the performance and spending of units and sections in terms of their mandates, objectives and performance indicators.

Achievements

The annual upgrading and streamlining of the Performance Management System resulted in some noticeable achievements of which the following are mentionable for the 2007/08 financial year:

- Performance management in the municipality was improved in terms of its functionality and in particular with the drafting of more credible and user-friendly performance plans.
- The development of a more user-friendly and effective toolkit for measurement also contributed to the effectiveness of the system.

- The refinement of the institutional performance report presented the information in a more understandable and accessible format, relevant and useful to the various target groups.

Challenges

The PMS Review process still revealed some gaps and shortfalls within the performance management system which will need to be addressed during the next financial year.

The following main challenges were identified:

- The expansion of the rewarding system to include all staff within the municipality has become a necessity. The current awarding system only deals with the Section 57 managers and should be expanded to include all employees of the municipality in order to achieve the goal of better service delivery in the municipality.
- The Individual Performance Management component of the system needs some refinement and expansion in order to support the Institutional PMS in the municipality effectively.

Audit Committee Report

The audit committee is a formal committee of the Frances Baard District Municipality Council and its functions are set out in section 166 of the Municipal Finance Management Act (Act No 56 of 2003).

The primary functions of the audit committee include:

- Monitoring the integrity of the council's financial statements
- Reviewing the effectiveness of the council's internal control and risk management
- Overseeing the relationship between management and the municipality's external auditors
- The Committee will make recommendations to management via Council, resulting from activities carried out by the Committee in terms of its reference
- The compilation of reports to Council, at least twice during a financial year
- To review the quarterly reports submitted to it by the internal audit
- Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.
- Review audit results and action plans implemented by management
- Making recommendations to Council and also carrying out its responsibility to implement the recommendations

The committee is authorised to investigate any matters within its terms of reference and co-opt any resources (including external professional assistance) it sees fit in order to fulfill its duties. However, the committee has no executive function and its primary objective is to review and advise, rather than assume responsibility for any

matters within its remit.

Composition of the Audit Committee

The committee comprised of the following members:

- Mr. Denzil Beukes (Chairperson)
- Ms. Sharon Matthews (Financial Services Consultant)
- Ms Hilda Ackerman (VAT Auditor)

Committee members are appointed for the period of three years. The committee could however not complete the 2007 financial year due to resignations of Mr Denzil Beukes and Ms Hilda Ackerman. This scenario negatively affected the ability of the municipality in managing financial and risk management and internal control

Internal Audit

With the termination of the contract of Gobodo Risk Management who acted as internal auditors until 30 June 2007, Council faced a daunting challenge in recruiting and retaining qualified staff in this unit. An Audit Manager was recruited in the last quarter of the financial year and this had a negative impact on the operation and functioning of the internal audit unit during the year under review.

External Audit

The external audit for the year was performed by the Office of the Auditor-General of the Northern Cape.

1) Effectiveness of the Audit Committee

The effectiveness of the audit committee was compromised due to the resignation of two of the three members. Consequently, the financial statements of June 2008 were not presented to the committee

2) Effectiveness of Internal Audit and Internal Control

Pursuant to the assessment review (QAR) by the Institute of Internal Auditors - SA with regard to the conformation of norms and standards of the professional practice of internal audit, Council achieved noticeable progress with the implementation of the recommendation from the QAR Report.

3) Evaluation of financial statements

Refer to point (1) above.

4) Activities of Audit Committee for the year end on 30 June 2008

Only one of the four scheduled meetings of the Audit Committee were held for the financial period.



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Disclosures - Concerning Executive Mayor, Speaker, Mayoral Committee

Description	Mayor	Speaker	Cllr. P. Everyday	Cllr. W. Johnson	Cllr. P. N. Jammer	Cllr. D. M. Mocketsi	Cllr. M. M. Moloi
Salaries & Wages	303,967	181,952	272,927	151,720	151,720	174,478	237,328
Normal	303,967	181,952	272,927	151,720	151,720	174,478	237,328
Overtime	0	0	0	0	0	0	0
Contributions R000	59,936	0	0	22,758	22,758	0	35,559
Pensions	45,212	0	0	22,758	22,758	0	35,559
Medical Aid	14,724	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Allowances R000	121,300	60,650	90,975	58,159	58,159	58,159	90,975
Travel	121,300	60,650	90,975	58,159	58,159	58,159	90,975
Accommodation	0	0	0	0	0	0	0
Subsistence	0	0	0	0	0	0	0
Housing Benefits & Allowances R000	0	0	0	0	0	0	0
Loans & Advances R000	0	0	0	0	0	0	0
Other benefits & Allowances R000 (specify) Cellphone	0	0	14,400	5,412	5,412	5,412	14,400
Telephone	0	0	0	0	0	0	0
Meeting Allowance	0	0	0	0	0	0	0
Facilities Allowances	0	0	0	0	0	0	0
Arrears owed to Municipality	0	0	0	0	0	0	0
TOTAL	485,203	242,602	378,902	288,049	288,049	288,049	378,262

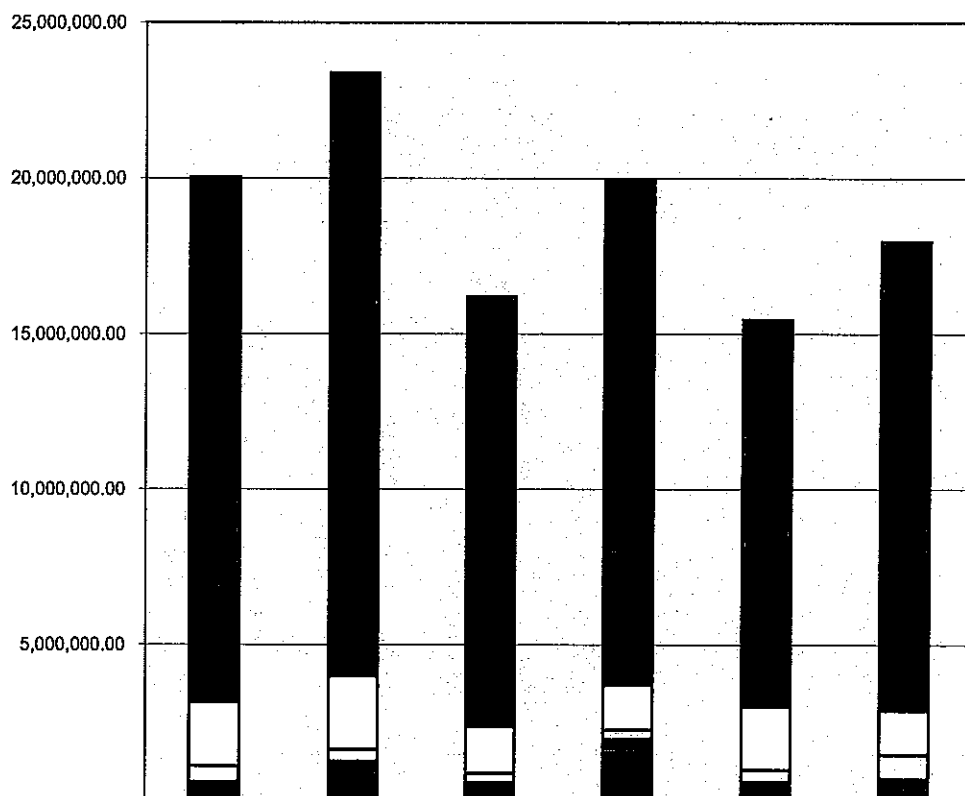


DISCLOSURES CONCERNING MUNICIPAL MANAGER, DIRECTORS				
Description	Municipal Manager	Chief Financial Officer	Director Administration	Director Technical Services
Salaries and Wages R'000				
Basic Salary & Bonus	423,294	381,706	380,735	400,178
Performance Bonus	71,131	55,004	46,753	46,753
	0	0	0	0
Housing Subsidy	81,246	0	0	0
Allowances (Computer, Telephone & Entertainment)	0		0	0
Car Allowance	138,000	103,800	103,800	78,000
Medical	31,068	31,198	32,340	35,198
Pension	76,104	68,707	68,532	72,032
Other Contributions	0	0	0	0
TOTAL	820,843	640,415	632,160	632,160



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TRENDS ON PERSONNEL EXPENDITURE COMPARED TO BUDGET



	2008 AUDITED ACTUAL	2008 APPROVED BUDGET	2007 AUDITED ACTUAL	2007 APPROVED BUDGET	2006 AUDITED ACTUAL	2006 APPROVED BUDGET
■ Salaries and Wages	13,243,014.81	14,726,945.00	10,705,892.07	12,075,390.00	9,401,401.00	11,251,716.00
■ Contributions for UIF, Pensions and Medical Aids	3,633,535.23	4,665,785.00	3,129,133.58	4,197,650.00	3,036,793.00	3,825,917.00
□ Travel, Motor car, Accomodation, Subsistence Allowance and other Allowances	2,078,083.79	2,355,435.00	1,501,556.56	1,429,350.00	2,037,095.00	1,417,996.00
□ Housing Benefits and allowances	505,274.64	384,900.00	307,300.20	320,010.00	401,339.00	791,414.00
■ Skills Levy, Workmens Compensation, Industrial Council Contributions	244,109.74	302,095.00	204,648.77	261,060.00	197,995.00	233,399.00
■ Group Insurance	115,978.63	191,735.00	108,329.53	184,280.00	124,572.00	190,428.00
■ Performance bonus	219,641.46	750,000.00	238,911.56	1,500,000.00	249,461.00	250,000.00



Personnel - Pension & Medical Aid Funds

Pension Funds

Council makes defined contributions to several Pension Funds and Medical Aids in the following proportions:

Council pays Ex Gratia pension to four (4) past employees who at the time of their services with council did not belong to any pension fund, while the other pensioners receive their monthly pensions from their various pension funds directly.

Medical Aids

Pension Funds	Employer %	Employee %
Cape Joint Pension Fund	18.00	9.00
Cape Joint Retirement Fund	18.00	9.00
Samwu National Provident Fund	18.00	9.00
Pension for Municipal Councillors	18.00	13.75 (Councillor contribution)

Assessment of future risks or liabilities

Medical Aids	Employer %	Employee %
Bonitas	60.00	40.00
Samwumed	60.00	40.00
Munimed	60.00	40.00
Hosmed	60.00	40.00
LA Health	60.00	40.00
Post Service Medical Aid	Employer %	Pensioner %
	70.00	30.00

The District Municipality has little or no control over the following factors:

- The medical scheme benefit structure and related contribution rates
- Changes in legislation
- Increases in the cost and utilisation of medical services and advances in medical technology.

Current employees	Incorrect deductions from employees salaries as well as inaccurate payments to the various medical aid schemes
Post service personnel	Verifications of the existence of ex-employees receiving post-service medical aid benefits prior to payments being done by FBDM which could result in invalid payments



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Institutional Performance Report



FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		4th Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan	
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity			
1. VOTE: TECHNICAL SERVICES																	
1.1	TBB-1/107-08	BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT.															
1.1.1		Provide identified infrastructure and infrastructure maintenance to category B municipalities, the DMA and FSDMI.	% Provision			Technical Services	Infra. Dev.	90%	100%	90%	100%	90%	100%	0%	-17%	Despite measures being taken to assist and support local municipalities they still did not perform satisfactorily in terms of the simultaneous completion of some projects. One allocation has been changed in the second half of the financial year.	Action/Process plans will in future be drafted in consultation with the applicable local municipalities as to assist and encourage them in performing their duties more timously and effectively regarding the completion of projects in the new financial year.
1.1.2		Comply to the conditions as set out in the Roads Agency Agreement.	% Compliance			Technical Services	Roads	100%	95%	100%	95%	100%	95%	0%	0%	n/a	n/a
1.1.3		Establish phase one of an accredited Housing Unit in terms of the conditions set in the Service Level Agreement (SLA).	% Established			Technical Services	Housing	80%	100%	80%	100%	80%	100%	0%	-20%	Housing Manager was only appointed by mid-year which was the main reason for not being able to erase the backlog in the accreditation process.	A process plan will be drafted to ensure compliance in the new financial year.
1.1.4		Provide basic municipal services to the Kopmansfontein settlement. (Water, Sanitation, Electricity, Road Maintenance, Refuse Removal)	% Provision			Technical Services	Infra. Dev.	100%	98%	100%	98%	100%	98%	0%	0%	n/a	n/a
1.2	TSM 1/207-08	MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION.															
1.2.1		Compliance to the implementation of the municipality's Performance Management System (PMS), aligned to the Integrated Development Plan (IDP), in the Department: Technical Services.	% Compliance			Technical Services	All Units	100%	95%	100%	95%	90%	80%	-10%	-15%	Operational plans and score cards were not fully finalised and implemented due to the resignation of the HR Practitioner responsible for the individual PMS in the departments.	Operational Plans have already been prepared for the 2008/09 financial year for all units in the department and score cards will be drafted accordingly.
1.2.2		Implementation of the approved organisational structure, aligned to the IDP of the municipality.	% Implementation			Technical Services	All Units	100%	95%	100%	95%	100%	95%	0%	0%	n/a	n/a
1.2.3		Compliance to the implementation of the municipality's Customer Care policy, applicable to the Department: Technical Services.	% Compliance			Technical Services	All Units	100%	90%	100%	90%	100%	90%	0%	0%	n/a	n/a
1.3	TSG-1/307-08	GOOD GOVERNANCE AND PUBLIC PARTICIPATION.															
1.3.1		Compliance to set procedures in ensuring adherence to legislation for community participation in terms of planning, budgeting, implementation, monitoring and reporting.	% Compliance			Technical Services	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a
1.3.2		Maintain relationships with organised business, through transparent, professional and accountable actions.	% Compliance			Technical Services	All Units	100%	80%	100%	80%	100%	80%	0%	0%	n/a	n/a
1.3.3		Compliance to the anti-corruption policy for the municipality in terms of the national strategy.	% Compliance			Technical Services	All Units	100%	100%	100%	100%	80%	60%	-20%	-20%	Partially dependent on the Department: Provincial and Local Government's anti-corruption initiative as well as a lack of clear political guidance to fast track the process for implementation.	According to the program all awareness activities should have been completed by April 2008. (Program reports on further progress are still being awaited).
1.4	TBF-1/407-08	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT.															
1.4.1		Compliance to the financial management policies and by-laws of the municipality.	% Compliance			Technical Services	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a
INDICATOR NOT MEASURED/NO TARGET FOR MEASUREMENT PERIOD.																	
Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%																	

Institutional Performance Report

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 to 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
2. YOTE: PLANNING AND DEVELOPMENT.																
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION.																
2.1	PDM 2/107-08		Implement and improve the Institutional Performance Management System (PIMS), aligned to the Integrated Development Plan (IDP) of the municipality.	% Compliance	Planning & Dev.	All Units	95%	100%	95%	100%	95%	100%	0%	0%	n/a	n/a
2.1.1			Implement the Individual PMS applicable to the Department. Planning and Development, according to the PMS policy of the municipality.	% Compliance	Planning & Dev.	HR PMS Pract.	95%	100%	95%	100%	95%	100%	0%	0%	n/a	n/a
2.1.2			Amend and operationalise an organisational structure within the Department of Planning and Development, aligned to the Integrated Development Plan (IDP) of the municipality.	% Implementation	Planning & Dev.	All Units	95%	95%	95%	95%	95%	95%	0%	0%	n/a	n/a
2.1.3			Implement approved Customer Services Systems in Department: Planning and Development.	% Compliance	Planning & Dev.	All Units	90%	80%	90%	80%	90%	80%	0%	0%	n/a	n/a
2.1.4			Review the IDP for the municipality with support and capacity building in the Category B municipalities in the district.	% Compliance	Planning & Dev.	Planning Unit	95%	100%	95%	100%	95%	100%	0%	0%	n/a	n/a
2.1.5			Provide support for spatial planning to Category B municipalities.	% Support	Planning & Dev.	Planning Unit	95%	80%	95%	80%	95%	80%	0%	0%	n/a	n/a
2.1.6			Provide support for land-use management in the district.	% Support	Planning & Dev.	Planning Unit	95%	80%	95%	80%	95%	80%	0%	0%	n/a	n/a
2.1.7			Establish and develop a Geographic Information System (GIS) in the District Municipality.	% Established	Planning & Dev.	GIS Unit	90%	80%	90%	80%	90%	80%	0%	-40%	The GIS Manager resigned at the middle of the year and there was no capacity in the unit to proceed with the planned activities of the unit regarding the particular financial year.	A new GIS Manager will be appointed shortly and the backlog in the unit will be addressed as a priority matter under the new HOD: Planning & Development
2.1.8																
2.2	PDM 2/207-08		LOCAL ECONOMIC DEVELOPMENT. (LED)													
2.2.1			Develop an investment and marketing strategy for the District Municipality.	% Developed	Planning & Dev.	LED Unit	100%	80%	100%	80%	100%	40%	0%	-40%	Lack of internal capacity. Economist (consultants) should be sourced to drive the investment strategy.	Economist (consultants) will be sourced to drive the investment strategy. Budgetary provision will be made in the adjustment budget.
2.2.2			Promote and support LED programmes in the district.	% Support	Planning & Dev.	LED Unit	100%	80%	100%	80%	100%	60%	0%	-20%	Poor response from local municipalities in accessing funding from FBDM for projects within their jurisdiction.	A LED Steering Committee has been established to create closer co-operation between FBDM LED and LED Managers of the local municipalities.
2.2.3			Ensure the implementation of approved projects informed by credible business plans within the parameters of the LED Strategy and programme.	% Implementation	Planning & Dev.	LED Unit	90%	90%	90%	90%	90%	60%	0%	-30%	Poor response from local municipalities in accessing funding from FBDM for projects within their jurisdiction.	A LED Steering Committee has been established to create closer co-operation between FBDM LED and LED Managers of the local municipalities.
: INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD Variance = 0% (Target Reached) Positive Variance = ++ Negative Variance = --																





FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 to 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
2. VOTE: PLANNING AND DEVELOPMENT.																
2.3	PDG 2/307-08	GOOD GOVERNANCE AND PUBLIC PARTICIPATION.														
2.3.1		Support and Implement approved social development programmes in the district.	% Support & Implementation	Planning & Dev.	Comm. Dev. Unit	100%	90%	100%	90%	100%	90%	0%	0%	n/a	n/a	
2.3.2		Ensure the implementation of the approved Disaster Management Plan in compliance with the Disaster Management Act.	% Implementation	Planning & Dev.	Disaster Man. Unit	100%	70%	100%	70%	100%	70%	0%	0%	n/a	n/a	
2.3.3		Ensure the implementation of land-use policies and legislation.	% Implementation	Planning & Dev.	Land-Use Unit	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
2.3.4		Ensure the promotion, support and implementation of approved Environmental Health programmes.	% Support & Implementation	Planning & Dev.	Env. Health Unit	100%	90%	100%	90%	100%	70%	0%	-20%	Unit under-resourced as a result of resignation.	Post will be filled on the 1st of September 2008 which will enable the unit to perform in terms of their newly determined targets for the financial year.	
2.3.5		Provide support to the DWA Committee/DP Rep. Forum to ensure effective functioning.	% Support	Planning & Dev.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
2.3.6		Ensure capacity building of community-based organisations to enhance effective community participation.	% Support	Planning & Dev.	Comm. Dev. Unit	100%	20%	100%	20%	100%	20%	0%	0%	n/a	n/a	
2.3.7		Support the building of relationships with organised business, labour and civil society through transparent and accountable actions in the Department: Planning and Development.	% Support	Planning & Dev.	All Units	100%	20%	100%	20%	100%	20%	0%	0%	n/a	n/a	
2.3.8		Implement and monitor the approved anti-corruption strategy for the municipality in Department: Planning and Development in terms of the National Strategy.	% Implementation	Planning & Dev.	All Units	100%	100%	100%	100%	80%	80%	-20%	-20%	Partially dependent on the Department: Provincial and Local Government's anti-corruption initiative as well as a lack of clear political guidance to fast track the process for implementation.	According to the program all awareness activities should have been completed by April 2008. (Program reports on further progress are still being awaited).	
2.3.9		Promote and monitor the implementation of the approved communication strategy in the Department: Planning and Development by practising transparency, public accountability, access to information and administrative justice and responsiveness.	% Compliance	Planning & Dev.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
2.4	TSF 1/407-08	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT.														
2.4.1		Support and promote the achievement of an unqualified audit report.	% Support	Planning & Dev.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
2.4.2		Comply to financial policies and by-laws of the municipality within the activities of the Department: Planning and Development.	% Compliance	Planning & Dev.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%																

INDICATOR NOT MEASURED/NO TARGET FOR MEASUREMENT PERIOD

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
3. VOTE: FINANCE.																
3.1	FINV 3/1/07-08	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT.														
3.1.1			Ensure implementation of the budget through the process of planning, strategising, preparing, tabling and approving as per prescribed budget reforms format and guidelines from National Treasury.	% Implementation & Compliance	Finance	Budget Office	90%	90%	90%	90%	90%	90%	0%	0%	n/a	n/a
3.2	FINB 3/2/07-08	BUDGET REFORMS IMPLEMENTATION PROCESS.														
3.2.2			Ensure support in terms of financial management, the roll-out of the MFMA and budget reform implementation in the category B municipalities.	% Support	Finance	All Units	90%	80%	90%	80%	80%	70%	-10%	-10%	Reason for deviation on the quality is mainly due to the lack of proper service level agreements (SLA's) between the local municipalities and the district municipality. Focus at the moment is to implement the unified financial system and then afterwards assess the needs for support and preparation of SLA's. Support for the interim will continue on an ad hoc basis (Magareng and Dikgatlong municipalities will be included as phase 2 in the 2007/08 financial year.	Council's attorneys have developed a draft service level agreement for implementation after the implementation of a unified financial system. Council approved the implementation of an unified financial system - "e-Venus" in January 2008 for the district with the District Municipality and Phokwane Municipality as phase 1 in the 2007/08 financial year.
													Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%			
													INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD			



Institutional Performance Report



FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
3. VOTE: FINANCE.																
REPORTING PROCESS IN TERMS OF THE MFMA.																
3.3	FINR/3/07-08															
3.3.1			Ensure timely reporting in the prescribed format to Council, National and Provincial Treasury, Auditor General, DPLG, Department Housing and Local Government, and other stakeholders on prescribed dates.	% Compliance	Finance	All Units	100%	100%	100%	100%	100%	97%	0%	-3%	Reason for deviation is that the monthly reports for January 2008 have been submitted late after the due date of 10 working days as a result of the responsible official was on leave without communicating timeous submission of reports prior to leave arrangement.	The matter has been taken up with the particular officials to prevent a repetition of such an occurrence.
3.3.2			Ensure the drafting and submission of a Mid-Year report to Council.	% Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	n/a		n/a
3.3.3			Ensure the timely compilation of the Annual Financial Statements in the prescribed format.	% Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	n/a		n/a
EXPENDITURE AND SUPPLY CHAIN MANAGEMENT.																
3.4.1			Ensure the implementation and management of the expenditure and supply chain management system.	% Implementation & Compliance	Finance	SCM Unit	100%	100%	100%	100%	80%	80%	-20%	-20%	Under performance due to the fact that the SCM unit have not officially established in terms of the newly approved organogram. Advertisements have been placed to fill the vacant positions in the SCM unit.	Temporary measures have been put in place for the SCM unit to be functional and an action plan has been tabled to Council for implementation. Amended SCM policy has been approved by Council in November 2007 with the effective date of 1st January 2008. Centralisation of procurement within the SCM unit has been implemented as from the 1st of April 2008 and a number of challenges still exists to ensure full compliance.
Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%																
INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD																

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan	
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity			
3. VOTE: FINANCE																	
3.5	FINR 3/5/07-08	REVENUE AND DEBT COLLECTION	Ensure the collection and receipt in terms of all grant funding promulgated per DORA allocation.	% Implementation & Compliance	Finance	Income & Exp.	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
3.5.1																	
3.5.2			Ensure that outstanding debt for more than 90 days not exceeding 5% of the total debt outstanding. (Sundry & Consumer Debtors)	% Implementation & Compliance	Finance	Income & Exp.	100%	95%	100%	95%	100%	94%	0%	-1%	Of the total amount of R12930-23 outstanding for more than 90 Days, SALGA owned the District Municipality R10,730-93 thereof.	Variance not significant and large portion of the reflected debt outstanding has been recovered in July 2008 form SALGA.	
3.5.3			Ensure development of policies and implementation in compliance with the Property Rates Act in the DMA.	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	70%	85%	-30%	-15%	Draft Property Rates Policy has been completed and will be submitted to Council during the first quarter of the new financial year for principle approval before workshoped with community.	Policy to be submitted to Council and workshop with the community before the end of next quarter in September 2008.	
3.6	FINA 3/6/07-08	ASSET AND RISK MANAGEMENT	Ensure the implementation of effective asset and risk management system.	% Implementation & Compliance	Finance	Asset & Risk Unit	100%	100%	100%	100%	80%	100%	-20%	0%	The quality of the asset and risk management system needs to be reviewed for improvement.	To be reviewed as part of the risk assessment to take place during the 2008/09 financial year.	
3.6.1																	
												Variance = 0% (Target Reached)		Positive Variance = ++		Negative Variance = --	
				INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD													



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FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

3. VOTE: FINANCE.

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan	
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity			
3.7	FINI 37/07-08	MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION.															
3.7.1			Implement the approved Performance Management System (PMS) in the Finance & Administration Department, aligned to the Integrated Development Plan (IDP) of the municipality.	% Implementation & Compliance	Finance	All Units	95%	95%	95%	95%	70%	70%	-25%	-25%	Individual performance management system not yet 100% completed, but will be finalised in respect of the first quarter assessments in the new financial year before the end of September 2008.	Improvement since the previous report has been achieved, but not yet 100% completed. Completion will be obtained in respect of the new financial year before the end of September 2008.	
3.7.2			Operationalise the approved organisational structure of the Finance & Administration Department, aligned to the Integrated Development Plan (IDP) of the municipality.	% Implementation & Compliance	Finance	All Units	95%	95%	95%	95%	70%	85%	-25%	-10%	Organisational structure approved, but still not yet being implemented i.r.o. of the Finance & Administration Department.	Amended organogram will be submitted during July 2008 to address and finalised the matter.	
3.7.3			Amend and implement the approved administrative and institutional systems, structures and procedures in the Finance & Administration Department: (Financial / HR Policies, Bylaws and Communication Systems)	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	0%	Financial related policies have been reviewed as part of the budget process and is in process to be enacted as by-laws.	Financial related policies have been submitted and the process for the promulgation of approved draft by-laws will take place during the first quarter in the new financial year.	
3.7.4			Introduce and operationalise integrated human resource management.	% Implementation & Compliance	Admin	Corp. Ser. Unit	100%	60%	100%	60%	100%	60%	0%	0%	n/a	n/a	
<p>INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD</p> <p>Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%</p>																	

Institutional Performance Report

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL INSTITUTIONAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Annual Target		Fourth Quarter Target		Actual Performance		% Variance		Reason(s) for Deviation	Improvement Plan	
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity			
3. VOTE: FINANCE.																	
3.7.5			Develop, upgrade, introduce, maintain and operationalise integrated financial and other identified systems.	% Implementation & Compliance	Admin	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
3.7.6			Ensure the implementation of an effective system of archiving / record keeping as per requirements of the applicable legislation.	% Implementation & Compliance	Admin	Corp. Ser. Unit	100%	100%	100%	100%	85%	85%	-15%	-15%	The resignation and previous lack of guidance by the former responsible manager created a gap in the operation of the archive services and contributed to a lack of capacity in the unit.	The refurbishment of the archive and the implementation of some new measures will upgrade the performance of the archive unit significantly.	
3.7.7			Ensure the delivery of cleaning and maintenance services in the municipality as per operational plan.	% Implementation & Compliance	Admin	Corp. Ser. Unit	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
3.8	FIN 3/7/07-08		GOOD GOVERNANCE AND PUBLIC PARTICIPATION.														
3.8.1			Ensure the implementation of the approved Process Plan for community participation in terms of planning, budgeting, implementation, monitoring and reporting.	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
3.8.2			Implement the approved financial anti-corruption strategy for the municipality in terms of the national strategy.	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	80%	80%	-20%	-20%	Partially dependent on the Department: Provincial and Local Government's anti-corruption initiative as well as a lack of clear political guidance to fast track the process for implementation.	According to the program all awareness activities should have been completed by April 2008. (Program reports on further progress are still being awaited).	
3.8.3			Achieve and maintain unqualified financial audit reports.	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	0%	n/a	n/a	
												Variance = 0% (Target Reached)					
												Positive Variance = +%					
												Negative Variance = -%					
INDICATOR NOT MEASURED NO TARGET FOR MEASUREMENT PERIOD																	





FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL PERFORMANCE REPORT: 2007/08

COLLECTIVE MUNICIPAL RESULTS																
No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Collective Annual Target		Collective Fourth Quarter Target		Collective Actual Performance		Collective % Variance		Reason(s) for Deviation/ See "VOTES 1 - 3"	Improvement Plan/ See "VOTES 1 - 3"
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
4. VOTE: COUNCIL AND EXECUTIVE/ COLLECTIVE PERFORMANCE																
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION:																
4.1	CEO 4/107-08		Implement and improve a Performance Management System (PMS), aligned to the Integrated Development Plan (IDP) of the municipality.	% Implementation	All Depts.	All Units	96%	98%	96%	98%	85%	84%	-11%	-14%	KPI's 1.2.1, 2.1.1, 2.1.2, 3.7.1	KPI's 1.2.1, 2.1.1, 2.1.2, 3.7.1
4.1.1					All Depts.	All Units	97%	95%	97%	95%	88%	92%	-19%	-3%	KPI's 1.2.2, 2.1.3, 3.7.2	KPI's 1.2.2, 2.1.3, 3.7.2
4.1.2			Amend and operationalise an organisational structure, aligned to the Integrated Development Plan (IDP) of the municipality.	% Implementation	All Depts.	All Units	98%	88%	98%	88%	95%	77%	-3%	-10%	KPI's 2.1.8, 3.7.3, 3.7.5, 3.7.6, 3.7.7	KPI's 2.1.8, 3.7.3, 3.7.5, 3.7.6, 3.7.7
4.1.3			Amend and implement effective administrative and institutional systems, structures and procedures: (HR and Financial Policies, Bylaws and Communication Systems)	% Implementation	All Depts.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	KPA 4.1.4	KPA 4.1.4
4.1.4			Manage the interface between the Mayoral Committee and Council, aligned to the administrative and political priorities of Council.	% Functionality & Compliance	MM Office	MM	100%	60%	100%	60%	100%	60%	0%	0%	KPI 3.7.4	KPI 3.7.4
4.1.5			Operationalise integrated human resource management systems.	% Operational	Admin	HR Unit	100%	90%	97%	90%	97%	90%	0%	0%	KPI's 1.2.3, 2.1.4, 3.7.3	KPI's 1.2.3, 2.1.4, 3.7.3
4.1.6			Implement and improve Customer Services.	% Operational	MM Office	All Depts and Units	90%	80%	90%	80%	90%	60%	0%	-20%	KPI 4.1.7	KPI 4.1.7
4.1.7			Implement and maintain an IT System and website for the District Municipality.	% Operational	Admin	IT Unit	90%	95%	90%	95%	90%	95%	0%	0%	KPI 2.1.5	KPI 2.1.5
4.1.8			Review District IDP with support to the Category B municipalities.	% Compliance	Planning & Dev.	Planning Unit	90%	95%	90%	95%	90%	95%	0%	0%		
															Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%	
INDICATOR NOT MEASURED/NO TARGET FOR MEASUREMENT PERIOD																

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL PERFORMANCE REPORT: 2007/08

COLLECTIVE MUNICIPAL RESULTS

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Collective Annual Target		Collective Fourth Quarter Target		Collective Actual Performance		Collective % Variance		Reason(s) for Deviation/ See "VOTES 1 - 3"	Improvement Plan/ See "VOTES 1 - 3"	
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity			
4. VOTE: COUNCIL AND EXECUTIVE/ COLLECTIVE PERFORMANCE																	
4.2	CEO 4/207-08	BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT.															
4.2.1		Implement an infrastructure development and investment model. (Ensure a dynamic relationship between population growth projections, service delivery backlogs, revenue generation capacity and institutional capacity).	% Development & Implementation			Technical Services	Infra. Dev. Unit	95%	99%	95%	99%	95%	91%	0%	-8%	KPI 1.1.1, 1.1.4	KPI 1.1.1, 1.1.4
4.2.2		Provide basic municipal services to residents in Koopmansfontein. (water, sanitation, electricity, refuse removal, roads and health services).	% Service Delivery			Technical Services	Infra. Dev. Unit	100%	98%	100%	98%	98%	98%	0%	0%	KPI 1.1.4	KPI 1.1.4
4.2.3		Provide identified maintenance of municipal infrastructure in category B Municipalities, the DMA and FBDM.	% Service Delivery			Technical Services	Infra. Dev. Unit	90%	100%	90%	100%	90%	83%	0%	-17%	KPI 1.1.1	KPI 1.1.1,
4.2.4		Percentage compliance to the conditions as set out in the approved Roads Agency Agreement.	% Compliance			Technical Services	Roads Unit	100%	95%	100%	95%	100%	95%	0%	0%	KPI 1.1.2	KPI 1.1.2
4.2.5		Facilitate sustainable human settlement developments through engagement with sector departments in line with the Integrated Development Plan (IDP).	% Facilitation			Technical Services	All Units	93%	87%	93%	87%	93%	81%	0%	-6%	KPI 1.1.1, 2.1.6, 2.1.7	KPI 1.1.1, 2.1.6, 2.1.7
4.2.6		Establish phase one of a basic housing unit to accommodate the new housing function in terms of the conditions set out in the Service Delivery Agreement. (SLA)	% Established			Technical Services	Housing Unit	80%	100%	80%	100%	80%	80%	0%	-20%	KPI 1.1.3	KPI 1.1.3
													Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%				
				INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD													





FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL PERFORMANCE REPORT: 2007/08

COLLECTIVE MUNICIPAL RESULTS															
No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Collective Annual Target		Collective Fourth Quarter Target		Collective Actual Performance		Collective % Variance	Reason(s) for Deviation/ See "VOTES 1 - 3"	Improvement Plan/ See "VOTES 1 - 3"
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity			
4. VOTE: COUNCIL AND EXECUTIVE/ COLLECTIVE PERFORMANCE															
4.3	CEO 4/3/07-08	LOCAL ECONOMIC DEVELOPMENT (LED)													
4.3.1			Undertake a detailed analysis of growth and development in the District (LED)	% Progress	Admin	LED Unit	100%	80%	100%	80%	100%	40%	-40%	KPI 2.2.1	KPI 2.2.1
4.3.2			Incorporate the comparative and competitive advantages of the district municipality into the existing LED Strategy and programme.	% Progress & Compliance	Admin	LED Unit	95%	85%	95%	85%	95%	50%	-35%	KPI 2.2.1, 2.2.3	KPI 2.2.1, 2.2.3
4.3.3			Enclose economic development analysis, land-use policies and spatial representation of the local economic development vision in the Spatial Development Framework.	% Progress & Compliance	Admin	LED Unit	95%	80%	95%	80%	95%	80%	0%	KPI 2.1.6, 2.1.7	KPI 2.1.6, 2.1.7
4.3.4			Provide institutional capacity to implement LED programmes and to create a conducive environment for shared growth in the district.	% Progress & Compliance	Admin	LED Unit	100%	80%	100%	80%	100%	60%	-20%	KPI 2.2.2	KPI 2.2.2
4.4	CEO 4/4/07-08	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT.													
4.4.1			Implement sound financial practices in terms of the MFMA's priorities and timeframes.	% Implementation & Compliance	Finance	All Units	97%	93%	97%	93%	93%	90%	-4%	KPI 1.4.1, 2.4.2, 3.2.2	KPI 1.4.1, 2.4.2, 3.2.2
4.4.2			Ensure the development of financial management policies and by-laws (supply chain management, credit control, tariff and investment policies)	% Development & Implementation	Finance	All Units	100%	100%	100%	100%	93%	93%	-7%	KPI's 2.4.1, 2.4.2, 3.4.1	KPI's 2.4.1, 2.4.2, 3.4.1
4.4.3			Introduce and operationalise integrated financial management systems.	% Operational	Finance	All Units	100%	98%	100%	98%	90%	93%	-10%	KPI's 3.5.1, 3.5.2, 3.5.3, 3.6.3	KPI's 3.5.1, 3.5.2, 3.5.3, 3.6.3
4.4.4			Ensure the achievement of set financial viability targets.	% Compliance	Finance	All Units	100%	100%	100%	100%	97%	97%	0%	KPI 3.3.1	KPI 3.3.1
4.4.5			Ensure the achievement and maintenance of unqualified financial and performance audit reports.	% Implementation & Compliance	Finance	All Units	100%	100%	100%	100%	100%	100%	0%	KPI's 1.4.1, 2.4.1, 3.8.3	KPI's 1.4.1, 2.4.1, 3.8.3
4.4.6			Implement and comply with financial legislation including the Property Rates Act and the Division of Revenue Act.	% Implementation & Compliance	Finance	All Units	90%	85%	90%	85%	85%	80%	-5%	KPI's 3.1.1, 3.2.2	KPI's 3.1.1, 3.2.2
													Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%		
INDICATOR NOT MEASURED/NO TARGET FOR MEASUREMENT PERIOD															

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL MUNICIPAL PERFORMANCE REPORT: 2007/08

Reporting Period: 01 JULY 2007 TO 30 JUNE 2008

COLLECTIVE MUNICIPAL RESULTS

No.	Reference	Key Performance Area (KPA)	Indicator	Unit of Measurement	Responsible		Collective Annual Target		Collective Fourth Quarter Target		Collective Actual Performance		Collective % Variance		Reason(s) for Deviation/ See "VOTES 1 - 3"	Improvement Plan/ See "VOTES 1 - 3"
					Dept.	Unit	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity		
4. VOTE: COUNCIL AND EXECUTIVE/ COLLECTIVE PERFORMANCE																
4.5	CEO 4/507-08	GOOD GOVERNANCE AND PUBLIC PARTICIPATION.														
4.5.1		Set procedures to ensure adherence to legislation for community participation in terms of planning, budgeting, implementation, monitoring and reporting.	% Compliance	All Depts	All Units	100%	100%	100%	100%	100%	100%	0%	0%	KPI 3.8.1	KPI 3.8.1	
4.5.2		Ensure regular communication with communities on achievements and targets of the municipality.	% Implementation & Compliance	All Depts	ComCaition Unit	100%	100%	100%	100%	100%	100%	0%	0%	KPI 1.3.1, 2.3.9, 3.8.1	KPI 1.3.1, 2.3.9, 3.8.1	
4.5.3		Provide support to the DMA Committee to ensure effective functioning.	% Support	All Depts	All Units	100%	90%	100%	90%	100%	90%	0%	0%	KPI 2.3.1, 2.3.5, 3.2.2	KPI 2.3.1, 2.3.5, 3.2.2	
4.5.4		Build capacity of community-based organisations to enhance effective participation.	% Progress	Admin	Comm. Dev. Unit	95%	50%	95%	50%	90%	45%	-5%	-5%	KPI 2.3.6, 3.2.2	KPI 2.3.6, 3.2.2	
4.5.5		Build relationships with organised business, labour and civil society through transparent and accountable actions.	% Progress	All Depts.	All Units	100%	67%	100%	67%	100%	67%	0%	0%	KPI 1.3.2, 2.3.7, 3.7.3	KPI 1.3.2, 2.3.7, 3.7.3	
4.5.6		Develop and implement an anti-corruption strategy for the municipality in terms of the national strategy.	% Development & Implementation	Finance	Applicable Units	100%	100%	100%	100%	80%	80%	-20%	-20%	KPI's 1.3.3, 2.3.8, 3.8.2	KPI's 1.3.3, 2.3.8, 3.8.2	
4.5.7		Ensure the effective functioning of the financial and performance audit committee.	% Compliance	MM Office	MM	90%	100%	90%	100%	95%	95%	0%	-5%	KPI 4.5.7	KPI 4.5.7	
4.5.8		Introduce and maintain mechanisms to ensure disclosure of financial interest.	% Implementation	All Depts.	MM & CFO	100%	100%	100%	100%	100%	100%	0%	0%	KPI 4.5.8	KPI 4.5.8	
4.5.9		Implement an effective communication strategy to promote transparency, public accountability, access to information and administrative justice and responsiveness.	% Implementation	MM Office	ComCaition Unit	100%	97%	100%	97%	100%	97%	0%	0%	KPI 1.2.3, 2.3.9, 3.7.3	KPI 1.2.3, 2.3.9, 3.7.3	
4.5.10		Achieve and maintain unqualified audit reports.	% Implementation	All Depts.	All Units	100%	100%	100%	100%	100%	100%	0%	0%	KPI 1.4.1, 2.4.1, 3.8.3	KPI 1.4.1, 2.4.1, 3.8.3	
															Variance = 0% (Target Reached) Positive Variance = +% Negative Variance = -%	
INDICATOR NOT MEASURED/ NO TARGET FOR MEASUREMENT PERIOD																



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CHAPTER 4

Audited statements & related financial information

FRANCIS BAARD

DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2008

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2008

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GENERAL INFORMATION

GENERAL INFORMATION

1. GRADING

Grade 4 – Category C.

Council is accorded the same grading as the largest Category B municipality in the district, namely Sol Plaatje Municipality, which is a Grade 4 local authority

2. AUDITORS

2.1. External Auditors

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

2.2. Internal Auditors

Internal audit function has been implemented during March 2004, based on an external audit service provider required to establish a self-sufficient in-house function in accordance with Council policy.

The internal audit unit was for most part of the financial year not functional due to the contract of Gobodo not renewed after 30 June 2007 as well as difficulty to appointment and retained appropriate skilled staff for the internal audit unit. The internal audit manager has only been appointed in March 2008.

2.3. Members of the Audit Committee

Mr. DW Beukes (<i>Resigned – 22 April 2008</i>)	Chairperson
Ms. S Matthews	
Ms. H Ackermann (<i>Resigned – 30 April 2008</i>)	

***General Information
30 June 2008***

GI-1



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3. BANKERS

Absa Bank
80 Bultfontein Rd
KIMBERLEY

Type of Account:
Account Number:

Current Account
940 000 327

4. REGISTERED OFFICE

Frances Baard District Municipality
51 Drakensberg Avenue
CARTERS GLEN 8301

Private Bag X6088
KIMBERLEY 8300

5. GENERAL ACTIVITIES

Council undertakes the spectrum of a Category C municipality activities allocated by legislation, as well as the district roads maintenance function on behalf of the Northern Cape Provincial Department of Transport, Roads & Public Works.

6. COUNCILLORS

Council's structure is based on the Executive Mayoral System, Incorporating:

*District Management Area; and
Category B Municipalities—*

- Sol Plaatje : Grade 4
- Phokwane : Grade 2
- Dikgatlong : Grade 2
- Magareng : Grade 2

6.1. Executive Mayor of District Municipality:

Mr. A Florence

Proportional

6.2 Speaker of District Municipality

Ms. M Chwarisang

Sol Plaatje Municipality

6.3 Members of the Mayoral Committee:

Mr. A Florence (Chairperson)

Mr. P Everyday

Mr. PN Jammer

Mr. W Johnson

Ms. DM Moeketsi

Ms. MM Moloji

Proportional

Proportional

Dikgatlong Municipality

Magareng Municipality

Phokwane Municipality

Proportional

6.4 Ordinary Council Members:

Ms. MJ Beyleveld

Mr. EJ Damoense

Ms. KJ de Kock

Mr. L Matsekete

Ms. M Mogwazeni

Ms. KG Mthukwane

Mr. PAS Strauss

Mr. LM Sebolai

Ms. DP Papers

Mr. BG Modise

Mr. MA Gabanele

Ms. HE Booysen

Ms. M Hattingh

Mr. TS Kgaladi

Mr. DJ Stubbe

Mr. LJ Lefebele

Mr. BM Maribe

Mr. LJ Mothomme

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Sol Plaatje Municipality

Dikgatlong Municipality

Phokwane Municipality

District Management Area

Proportional

Proportional

Proportional

Proportional

Proportional

Proportional

General Information
30 June 2008

GI-3



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7. **MANAGEMENT STRUCTURE**

Council's senior management structure consists of the Municipal Manager and heads of the three main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.

Municipal Manager

Mr. TJ Nosi
B.Admin; B.Admin(Hons)

Director: Administration

Ms. NG Kgantsi
B.Admin

Director: Technical Services

Mr. PJ van der Walt
B.Sc.Eng; M.Eng.(Civil); ECSA

Director: Finance

Mr. P.J van Biljon
B.A; Nat Dipl.; (AIMFO)

7. **CERTIFYING OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these financial statements, which are set out on pages FR-1 to FR-12, AP-1 to AP-11 and FS-1 to FS-33, in terms of section 126(1) of the Municipal Finance management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of the Provincial and Local Government's determination in accordance with this act.



MUNICIPAL MANAGER

DATE: 31 August 2008

General Information
30 June 2008

GI-5



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AUDITOR GENERAL REPORT

REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE FRANCES BAARD DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Frances Baard District Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Basis for preparation

11. As set out in accounting policy 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007* issued in *Government Gazette No. 30013 of 29 June 2007*.

Restatement of corresponding figures

12. As disclosed in the statement of financial performance, the corresponding figures for 30 June 2007 have been restated as a result of prior year RSC levies received.

OTHER MATTERS

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Systems Act

13. The municipality did not have documented job/task descriptions for each political structure and political office-bearer of the municipality, as required by section 53 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)



Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.		X
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.		X
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		X
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially	X	

Matter of governance	Yes	No
implemented.		
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 	X	
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 	X	
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 	X	

Unaudited supplementary schedules

15. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary information as set out in appendices D1 and D2 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

16. I have reviewed the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

17. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.



Responsibility of the Auditor-General

- 18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
- 19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 20. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

- 21. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.



Kimberley

28 November 2008



A U D I T O R - G E N E R A L

CHIEF FINANCIAL OFFICER REPORT



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FINANCIAL PERFORMANCE REVIEW

By the Chief Financial Officer

1. INTRODUCTION

The main aim of the Department of Finance is to ensure that the Frances Baard District Municipality is financially sustainable to fulfill its developmental role.

In order to do this, Council follows a practice of sound, conservative budgeting aimed at enhancing financial resources through maximised revenue collection and controlling costs to the minimum necessary expenditure. Council also utilizes all possible sources of external financing to supplement its own infrastructure investment strategies, including the use of State grants and loan funding from the Development Bank of Southern Africa.

Integrated Development Planning (IDP) is the corner stone of facilitating sustainable development in the District. Given the nature of the Integrated Development Plan, it was necessary to revise and update financial strategies on a continuous basis. Pre-determined key performance indicators in the IDP and operational outcomes have informed and driven the financial planning process about what is financially affordable given the financial targets and expenditure limits determined by National Treasury.

The implementation of IDP infrastructure projects in the current financial year reflects fairly good as most of the IDP projects have been completed timeously with the exception of six projects from own funding to the estimated amount of R3,07m that will be rolled over for completion in the new financial year. However the implementation of other and social related projects remains a challenge as the district municipality could only management to spend about 38,93% of the approved budget to the total estimated amount of R11,25m dedicated for special projects. Main reasons that attribute to the under spending are lack of political and managerial oversight through monitoring and evaluation, lack of project management skills and lack of technical capacity in some instances which will be addressed during the 2008/09 financial year to improve on the implementation of identified projects as per approved service delivery and budget implementation plan. The assumption that basic needs will not dominate the priority issues of municipalities after five years of IDP implementation has proved not to be true as water, sanitation, housing, electricity, waste disposal, roads and storm water remain dominant priority issues in all the municipalities in the district. Over 90% of all the IDP projects in all the municipalities are for basic services. The District Municipality awarded 49,96% of its total approved expenditure budget towards infrastructure and other special projects as identified in the IDP for the financial year under review.

The Community Wealth (CRR Reserve and Unappropriated Surplus) has grown from approximately R65,33 million to approximately R68,71 million for the financial year under review. All of the provisions and resources are cash backed.

Council holds a substantial amount of conditional grants and receipts. The amount allocated in terms of DoRA decreased for the financial year under review due to the fact that most of the national grants have been directly allocated to the Category B municipalities. It is envisaged that most of the remaining unspent grants will be expended before the end of the next financial year as per already approved business plans.

2. OPERATING RESULTS

Council has achieved a significant operating surplus to the amount of R2,95m before taking into account net appropriations to the amount of R2,60m for the past financial year. The positive results are mainly due to high returns on invested cash reserves, unspent grant funding rolled over from previous financial year and spent during the financial year under review as well as savings on expenditure like salaries, contracted services, general expenses and repairs & maintenance.

The operating results for the year ended 30 June 2008 are as follows:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>	<i>Budget 2008 R</i>	<i>Variance Actual / Budget %</i>
Operating Income for the year	75,028,479	75,817,193	1.05%	65,556,855	-15.65%
Operating Expenditure for the year	(69,626,615)	(72,896,587)	4.70%	(84,185,665)	13.41%
<i>SURPLUS / (DEFICIT) FOR THE YEAR</i>	5,401,864	2,920,605		(18,628,810)	
Accumulated Surplus / (Deficit) at the beginning of the year	56,554,537	59,408,318			
Nett appropriations for the year	(2,548,083)	(2,605,360)	2.25%	18,630,988	113.98%
<i>Accumulated Surplus / (Deficit) at the end of the year</i>	59,408,318	59,723,563		2,178	

Details of the operating results per classification and object of income and expenditure are included in the statement of financial performance and appendix D(1), whilst the detailed operating results per National Treasury functional classification are reflected in appendix C.

Council's performance, when compared to the budget, must be seen in the context of conservative budgeting practices influenced by other factors such as the inability of some Category B municipalities to implement grant & subsidy allocated projects.

Comments relating to budgeted income and expenditure as per National Treasury functional classifications are as follows:

2.1 Executive and Council:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Revenue	1,075,664	893,000	-16.98%	893,000	0.00%
Expenditure	10,873,161	11,819,022	8.70%	14,955,405	20.97%
SURPLUS / (DEFICIT)	(9,797,497)	(10,926,022)	11.52%	(14,062,405)	22.30%

Executive and Council consists of Council activities, the office of the Municipal Manager, Internal Audit unit and Communications section and reflects a net deficit of R10,93m compared to the approved deficit of R14,06m. The expenditure for Executive & Council reflects under-expenditure to the amount of R3,14m which is mainly due to the following reasons:

- A number of positions with specific reference to the office of the Internal Audit Unit and Communication section has been budgeted for the full year whilst they have not been filled accordingly.
- Special projects in the office of the speaker reflects an under expenditure to the estimated amount of R195k compared to the approved budget.
- Councilor training reflects an under expenditure to the amount of R192k versus the approved budgeted amount of R200k.
- An amount of R750k has been budgeted for performance bonuses to all levels of employees but due to lack of an approved performance system with criteria to employees other than the section 57 managers a saving to the estimated amount of R530k realised for the year under review.
- General expenses such as consultancy and printing & stationary reflect an estimated under expenditure of R740k which also contributes to the saving on the vote of Council and Executive.

2.2 Finance & Administration:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Revenue	58,374,997	61,792,154	5.85%	58,273,770	-6.04%
Expenditure	11,250,553	13,092,990	16.38%	18,607,427	29.64%
SURPLUS / (DEFICIT)	47,124,444	48,699,164	3.34%	39,666,343	-22.77%

The vote of Finance & Administration reflects a positive deviation of R9,06m or 22,85% compared to the approved budget. The following factors mainly contributed to the positive variance:

Revenue:

Interest earned on external investments reflects a positive deviation of R2,78m compared to the approved amount of R6,25m. The significant deviation is mainly due to higher than planned levels of cash reserves throughout the year.

High cash reserve levels are attributed to increase of income and reserves as well as to delayed expenditure patterns.

Expenditure:

Expenditure reflects a saving to the amount of R5,56m or 29,80% compared to the approved budget for Finance and Administration. Main reasons for the under expenditure are:

- A number of new and approved vacant positions in the Department of Finance and Administration have been budgeted for the full year whilst they were not be filled accordingly.
- Due to a delay by Sol Plaatje municipality to provide authorisation to act as the "HUB" or hosting municipality with regard to the implementation of the new "e-Venus" financial system, the full amount of R4,5m as provided in the budget has not been spent before the year end. An estimated under spending of R3,4m reflects as a result of the mentioned reason.
- Consultancy with regard to the information technology section also contributed to the under spending under the vote finance and administration as the IT master plan to the estimated amount of R693k has not been completed before year end. The amount has been rolled over and the process will be finalised in the new financial year.

2.3

Planning & Development:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>	<i>Budget 2008 R</i>	<i>Variance Actual / Budget %</i>
Revenue	14,788,503	11,935,026	-19.30%	27,688,000	56.89%
Expenditure	44,085,850	43,872,072	-0.48%	43,704,750	-0.38%
SURPLUS / (DEFICIT)	(29,297,347)	(31,937,046)	9.01%	(16,016,750)	-99.40%

Revenue:

The negative deviation of 56,89% on revenue compared to the approved budget is mainly due to savings on other budget votes versus the actual expenditure as well as the fact that more revenue was generated, which resulted in the anticipated transfer from the accumulated surplus to fund specific infrastructure projects to the estimated amount of R28,60m not being utilised. The total value of grants and subsidies received has been adjusted to match the nature of the grant in question:

- Unconditional grants are fully reflected as revenue; while
- Conditional grants are reflected as revenue equivalent to the expenditure incurred in terms of the grant.

Expenditure:

The actual expenditure versus the approved budget for the vote Planning and Development only reflects an over expenditure of 0,38%. However except for the over expenditure on infrastructure projects to the amount of R3,81m, under spending occurred in respect of special projects in the Local Economic Development Unit to the amount of R1,41m versus the approved budget of R3,15m. The Planning Unit also reflects an under expenditure to the amount of R884k in respect of special projects – MSIG, consultancy and professional fees for drafting of a property valuation roll for the district management area.

2.4

Health:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>	<i>Budget 2008 R</i>	<i>Variance Actual / Budget %</i>
Revenue	87,000	100,000	14.94%	87,000	-14.94%
Expenditure	1,236,390	1,348,618	9.08%	1,881,323	28.32%
SURPLUS / (DEFICIT)	(1,149,390)	(1,248,618)	8.63%	(1,794,323)	30.41%

The environmental health section reflects a total saving to the amount of R532k or 28,31% compared to the approved budget due to savings on the personnel budget and special projects to the amount of R161k not completed according to the approved service delivery and budget implementation plan.

2.5 Community & Social Services:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual / Budget %
Revenue	-	-	0.00%	-	0.00%
Expenditure	584,731	807,020	38.02%	1,042,305	22.57%
SURPLUS / (DEFICIT)	(584,731)	(807,020)	38.02%	(1,042,305)	22.57%

The under expenditure to the amount of R235k or 22,57% compared to the approved budget is mainly attributed to special community projects to the value of R198k not spent according to identified and pre-determined projects.

2.6 Public Safety:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual / Budget %
Revenue	689,958	645,389	-6.46%	823,000	21.58%
Expenditure	1,559,113	1,555,656	-0.22%	2,592,540	39.99%
SURPLUS / (DEFICIT)	(869,155)	(910,267)	4.73%	(1,769,540)	48.56%

Fire Fighting and Disaster Management section reflects an under expenditure to the amount of R1,03m compared to the approved budget.

The main reason for the variation is due to savings on the personnel budget to the amount of R1.96k, maintenance of emergency equipment to the amount of R118k as well as under spending on the Fire Fighting and Disaster Management grant for special projects to the total value of R466k versus the approved budget of R588k.



2.7 Water Services – Koopmansfontein:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual / Budget %
Revenue	12,357	20,880	68.97%	99,470	79.01%
Expenditure	36,817	20,877	-43.30%	67,850	69.23%
SURPLUS / (DEFICIT)	-24,460	3	-100%	31,620	100%

The budget in respect of revenue and expenditure for Koopmansfontein water services were not realistically and the deviation with regard to the actual revenue and expenditure compared to the approved budget is not regarded as significant.

An estimate of 90% of the 37 households in Koopmansfontein are indigent. The tariff determined for water consumption is not sufficient to cover the full operating cost to render the service and therefore any loss will be funded as a contribution from the equitable share allocation.

2.8 Electricity Service – Koopmansfontein:

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual / Budget %
Revenue	-	9,970	0.00%	35,420	71.85%
Expenditure	-	9,967	0.00%	49,420	79.83%
SURPLUS / (DEFICIT)	-	3	0.00%	-14,000	100%

The budget in respect of free basic services for electricity at Koopmansfontein was not realistically and the deviation of actual expenditure compared to the approved budget is not regarded as significant.

An electricity pre-paid system is used and Eskom is the service provider with the district municipality responsible to fund the 50 kWh free basic service (if registered as an indigent) as a contribution from the equitable share allocation.

2.9 Housing

Revenue & Expenditure	Actual 2007 R	Actual 2008 R	Variance 2007/08 %	Budget 2008 R	Variance Actual / Budget %
Revenue	-	420,774	0.00%	1,057,815	60.22%
Expenditure	-	370,364	0.00%	1,057,815	64.99%
SURPLUS / (DEFICIT)	-	50,410	0.00%	-	0.00%

In compliance with the provisions of Section 10(1), 2(a) and 3(a) of the Housing Act 1997, Frances Baard District Municipality (as a pilot project from National Government) has applied to the MEC to be accredited for the purpose of administering national housing programme. The municipality's immediate tasks are to establish a properly functioning housing unit; to establish and maintain mutual relationship with Sector Departments; and to manage the housing delivery in the district. A housing unit has been established in December 2007 as part of the project objectives to receive full accreditation to perform the housing function.

3. APPROPRIATIONS

Appropriations for the year amount to a net outflow of R2,60m which can mainly be attributed to:

- Transfer to Capital Replacement Reserve (R9,671,760)
- Property, Plant and Equipment purchased R6,640,190
- Donated / contributed Property, Plant and equipment (R 92,378)
- Asset disposals R 2,035
- Offsetting of depreciation R 516,553

4. POST-BALANCE SHEET EVENTS

No other significant events have occurred between the balance sheet date and the time of issuing this report.



5. CAPITAL EXPENDITURE AND FINANCING

	Actual 2008 R	Budget 2008 R	Variance Actual / Budget %	Actual 2007 R
Capital Expenditure				
Executive & Council	215,046	636,063	66.19%	53,042
Finance & Administration	1,957,388	1,350,391	-44.95%	823,015
Planning & Development	4,444,138	7,969,680	44.24%	14,484
Health	-	-	0.00%	167,825
Community & Social Services	4,624	-	100.00%	-
Housing	50,410	205,082	75.42%	-
Public Safety	48,508	96,280	49.62%	80,851
Water Services	-	-	0.00%	-
TOTAL CAPITAL EXPENDITURE:	6,720,113	10,257,496	34.49%	1,139,216
Financing of Fixed Assets				
Capital Replacement Reserve	6,627,735	10,058,116	34.11%	1,090,431
Government Grants & Subsidies	92,378	199,380	53.67%	48,784
TOTAL FUNDING OF CAPITAL EXPENDITURE:	6,720,113	10,257,496	34.49%	1,139,216

Actual expenditure incurred on fixed assets represents an increase of R5,58m in comparison with the 2006/07 financial year.

The actual capital expenditure reflects 34,49% or R3,53m less than the approved budget and can mainly be attributed to the under expenditure on the building of a new Council Chamber to the budgeted amount of R6,5m. The unspent portion has been rolled over to the new financial for completion of the project.

Council attained a capital efficiency ratio of 65,51% which needs to be closely monitored and improved in the coming financial years.

(A complete analysis of capital expenditure per asset classification is included in appendix A)

6. EXTERNAL LOANS

According to the District Municipality's financial records no external loans exist nor does any amount reflects outstanding as at 30 June 2008.

Some financial ratios relevant to external loans are:

Interest Bearing Debt to Revenue	<u>2007/08</u>	<u>2006/07</u>
Average Interest Paid to Debt	-	-
		15,57%
Capital Charges to Operating Expenditure	-	1,56%

7. CASH AND INVESTMENTS

Council's cash and investments to the amount of R67,90m reflect a decrease of R3,73m or 5,21% compared to the previous financial year. Investments to the amount of R500k are ceded as collateral security on housing loans for officials of Council.

(Refer to notes 10 & 11)

8. OUTSTANDING DEBTORS

Overall debtors including the short term portion of long term debtors reflect a decrease of R1,36m compared to the previous financial year. The 17,64% decrease can mainly be attributed to the effective implementation of credit control policy and debt management procedures for the year under review. Provision for bad debts increased by R12k compared to the previous financial year which is not regarded as significant. *(Details with regard to the breakdown of debtors per category is set out in Notes 8 & 9)*

Some financial ratios relevant to debtors are:

Debt to Revenue	<u>2007/08</u>	<u>2006/07</u>
	8,38%	7,61%
Outstanding Water Consumer Debtors to Revenue	2,75%	2,32%
Days Debtors Outstanding – Koopmansfontein Water	10 Days	6 Days

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9. OUTSTANDING CREDITORS

Increase of outstanding creditors to the amount of R825k or 32,94% can mainly be attributed to the increase in leave provision for employees and retention fees to the total value of R837k compared to the previous financial year.

Unspent government grants reflect a decrease of 22,35% mainly due to an increase in the spending grants and subsidies rolled-over from the previous financial year.

Some financial ratios relevant to creditors are:

<u>Creditors Management</u>	<u>2007/08</u>	<u>2006/07</u>
Creditors system efficiency	100%	100%

A trademark of the District Municipality is its commitment and ability to fully settle its creditors' accounts within the required terms of 30 days or as per applicable legislative requirement. This statement is supported by the constant 100% payment levels to creditors.

(Details with regard to outstanding creditors is set out in Notes 2 & 3)

10. RATIO ANALYSIS / BENCHMARKS

Financial viability and sustainability is one of the key performance areas of the District Municipality as determined in the IDP. In order to ensure that the District Municipality maintains a healthy financial position, appropriate financial ratios / benchmarks are used to assist the District Municipality in assessing its financial wealth.

The appropriate financial ratios / benchmarks to assets the District Municipality's financial position are:

<u>Liquidity</u>	<u>2007/08</u>	<u>2006/07</u>
Liquidity - Current Ratio	4,87: 1	3,77: 1
Cash to Current Liabilities	4,45: 1	3,50: 1
Total Asset Turnover	4,51 Times	6,81 Times

Grant Dependency (Actual receipts per DoRA allocation)	86,07%	87,34%
<u>Efficiency</u>	<u>2007/08</u>	<u>2006/07</u>
Personnel costs to operating expenditure	27,50%	26,94%

11. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, the Speaker, Councillors, the Municipal Manager, Heads of Departments and staff for their support and co-operation received during the past financial year.

A special word of appreciation is appropriate to the staff involved with the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Directorate Finance for their full support and commitment in the operations of the Directorate.



P.J. VAN BILJON
CHIEF FINANCIAL OFFICER

Financial Performance Review
30 June 2008

FR-12





We serve the Community
Ons dien die Gemeenskap
Re direla Setshaba

ACCOUNTING POLICIES

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

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8	have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.





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

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

4.2 Government Grant Reserve

When property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus / (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with the directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

4.3 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revaluated as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When impaired land and buildings are revalued, the increase in value of land and buildings are recognized as revenue to the extent that it reverses the impairment loss previously recognized as expense.

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

5.1. Asset Classification

- (a) Council owns and utilizes assets for its core administrative needs and its mandated functions, which assets consist of the head office premises and buildings, as well as movable assets used in its operations.

The GAMAP classification of "Other Assets" is applicable to all Council's assets.



- (b) All movable assets and inventory items are duly recorded and accounted for in the asset tracking system. The conceptual asset register includes a separate listing of fixed properties registered to Council's ownership, most of which are in the process of being transferred to succeeding authorities.
- (c) No existence and amount of restrictions on title, property, plant and equipment has been pledged as security for liabilities.
- (d) The carrying value of assets has been reviewed to determine whether the current value is more than the realized value. No impairments were realized.

5.2. Depreciation

Assets are depreciated in accordance with GAMAP / GRAP guidelines. Depreciation is calculated on cost, using the straight line method over the estimated useful lives of assets. Depreciation begins when the asset is available for use and continues until the asset is derecognized, even if it is idle.

The depreciation rates are based on the following estimated asset lives:

➤ Buildings	30 years	3.3%
➤ Furniture & Fixings	10 years	10.0%
➤ Computer equipment	3 years	33.0%
➤ Other movable assets	5 years	20.0%

5.3. Disposal of assets

- Assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds it's reflected as a profit or loss in the Statement of Financial Performance.

6. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revaluated amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

7. INVESTMENTS

The District Municipality classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets; during the period the District Municipality did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the District Municipality commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

8. FINANCIAL INSTRUMENTS

8.1 Financial Instruments.

- Financial instruments, which include, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.
- On disposal of an investment. The difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

8.2 Measurement

- 8.2.1 Financial instruments carried on the balance sheet include embedded cash and bank balances, accounts receivable, interest bearing borrowings and provision for financial liabilities. These instruments are generally carried at their estimated value. This particular recognition methods are disclosed in the individual policy statements associated with each item.

