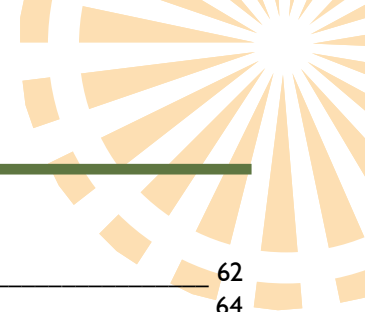


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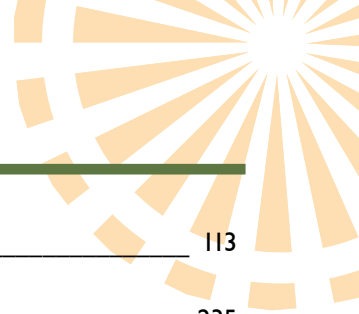
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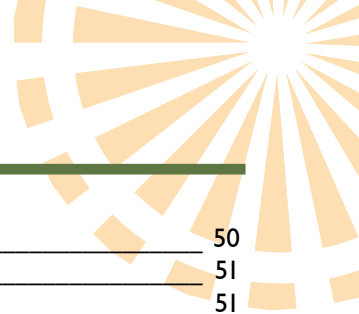
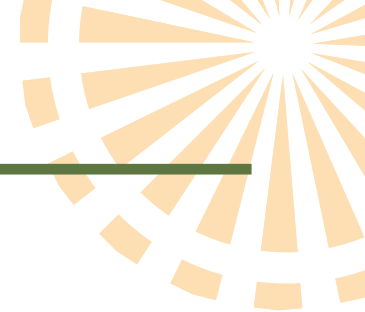


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EXECUTIVE MAYOR'S FOREWORD



It is a great honour to present to you the Annual Report of Emthanjeni Municipality for the 2011/2012 financial year. This report reflects the activities of the first full term of the council elected in May 2011. This Council received a renewed mandate to improve service delivery, create an environment conducive to economic development, improve infrastructure and build more houses.

The 2011/2012 Annual Report demonstrates annual accountability to the community of Emthanjeni and all our stakeholders who contribute immeasurably to the activities of the Municipality. Moreover, the Annual Report will reflect progress made regarding 2014 Clean Audit.

Soon after our inauguration, Council had a two day strategic session to share our vision for the next five years and plan accordingly. The express aim of all our planned activities is to respond speedily to service delivery challenges, while also seeking to ensure that our activities are aligned with national priorities. During this session we also analyzed constraints under which the Municipality would be required to operate such as a skills shortage within the institution and limited finances to improve our internal funding of infrastructure development projects.

However, despite all those constraints, in partnership with the community and Provincial Government, we enjoyed a measurable degree of success, moving from a disclaimer to a qualified audit opinion, construction of houses, tarring of streets, improving water drainage system, launching of Emthanjeni Christmas Lights Festival and re-launching of the Mayoral Soccer Tournament.

Our taxpayers, the community in general, partners and stakeholders were key contributors to our achievements during the past financial year. Residents were committed to paying for their services and those who could not afford to, informed us openly. Indigent households effectively utilized the basic allocation of water and electricity. We are extremely proud of our residents and stakeholders.

Most importantly, I acknowledge and express our gratitude to all officials for work well done during the past year.

A handwritten signature in black ink, appearing to read 'A. M. M. M.', written in a cursive style.

EXECUTIVE MAYOR

OVERVIEW BY THE MUNICIPAL MANAGER

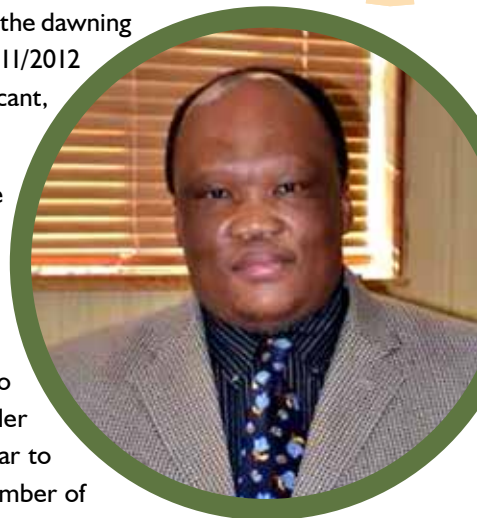
The 2011/2012 financial year has been a particularly interesting and challenging year. With the dawning of this new chapter, where a new council took office just a month prior the start of the 2011/2012 financial year, it is important to reflect on the past and on what has been particularly significant, in the year under review.

Throughout the 2011-2012 financial year the Municipality worked hard to enhance the lives of those living and working in Emthanjeni, by investing substantial amounts in the development of new and maintenance of old infrastructure. The Municipality also continued to deliver its range of services to the community. Through the ward allocations a number of smaller infrastructural projects were completed. We managed to reseal Leo Crescent (ward 5), build new tarred roads in wards 2, 5 and 6. The Municipality also started to remove some of the dry sanitation systems in Hanover during the year under review and we will continue to remove these dry systems in the 2012/2013 financial year to improve the living conditions of our people. We are, however, still faced with a huge number of buckets in ward 7 (Britstown). We also repaired a total of 374 dilapidated houses in the different wards.

During this reporting period the Municipality restructured its portfolio committees and significant improvements were made in the management of our cash flow. Our emergency facility is being managed very well. A number of policies were adopted during the past financial year.

Our staff attended various training programmes. We made use of the shared services of the Pixley Ka Seme District Municipality for internal audit and legal services. This arrangement really assisted the Municipality to improve our internal control procedures and ensure that our decisions that are legally sound. A new directorate, the Community Services Directorate, was established in order to strengthen our performance. Our new councillors have been inaugurated and a two day strategic planning workshop was held in an effort to equip them with the required knowledge and skills for their new role. A previous major concern was the high losses of electricity, but we have committed more resources to tackling this problem and to improving matters. Our Employee Wellness Programme is well established by now and workers are beginning to experience and enjoy the benefits of this programme.

It must also be stressed that we have tried to adhere to the principles of good governance as we believe that good governance is integral to economic growth, the eradication of poverty and for the sustainable development of the community we serve.



Challenges continue, notwithstanding the progress already made. Issues of prominence include:

- The need to address scarce skills within Emthanjeni Municipality
- Capacity building throughout the organisation remains a challenge and must become an area of focus;
- Job descriptions are required to be redone as the current job descriptions that were used to grade positions are now out of date;
- Performance management is a process and system that must be institutionalised in order to establish a culture of performance excellence;
- The reporting and management of service delivery and related targets remains a huge challenge due to the lack of baseline data and statistics. Steps are to be taken to ensure that service delivery baseline data can be established;
- The management and implementation of Local Economic Development Strategies and processes remains an ongoing challenge, due to the lack of resource capacity;
- Greater emphasis is to be placed on the alignment of the IDP, SDBIP and Budget, which would translate into required scorecards;
- Quarterly PMS reporting and assessments are to be done consistently;
- Inconsistencies in the indigent baseline data require that the Indigent Register be updated and verified;
- Removal of buckets and dry sanitation systems in Britstown and Hanover;
- Constant increase in debtors because of non-payment for services ;
- Our audit opinion, which we would like to improve within the next financial year. An improvement in our opinion from a disclaimer to a qualified opinion was already achieved in 2010-2011;
- Addressing the unemployment rate as well as the provision of houses.

I submit this overview in appreciation of support rendered by the community, the unequivocal support, cooperation and hard work of the staff of Emthanjeni Municipality and lastly, the Councillors for their political guidance.



ISAK VISSER
MUNICIPAL MANAGER



CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW



CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Emthanjeni Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2011/12 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2010 to 30 June 2011. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.1.1 VISION AND MISSION

The Emthanjeni Municipality committed itself to the vision and mission of:

Vision:

“We, Emthanjeni Municipality, commit ourselves to a humane and caring society, living in a healthy and secure environment, conducive to sustainable economic development.”

Mission:

“We strive to: -

Deliver quality services and promote development in our municipal area in a non-sexist, non-racial and non-discriminating manner. We do this by creating a climate of co-operative governance with meaningful partnerships with all stakeholders, especially the members of the general public”

1.1.2 DEMOGRAPHIC INFORMATION

A) MUNICIPAL GEOGRAPHICAL INFORMATION

Emthanjeni, and especially De Aar, is renowned for its central location on the main railway line between Johannesburg, Cape Town, Port Elizabeth and Namibia. De Aar is situated in the Northern Cape Province that has a population of approximately 991 919 people (census 2001). The Municipality forms part of the Pixley ka Seme District Municipal area with an approximate population of 164 412 people (census 2001), this represents 16,92% of the Northern Cape population. Emthanjeni is approximately 300km south west of Kimberley, 440 km south east of Upington, 300 km north east of Beaufort-West and 300 km south west of Bloemfontein.

Of the main towns that fall within the municipal area, Hanover lies approximately 65 km east of De Aar on NI main north to south route and Britstown is situated about 55 km west of De Aar on the NI2 route. Both these main routes link Johannesburg and Cape Town. These areas are extensive stock farming areas with the emphasis on sheep, mutton and wool farming, especially Merino's.

Emthanjeni Municipality, specifically De Aar, is the seat of Pixley ka Seme District Municipality and hosts all government departments. The Municipality covers an area of approximately 11390km and represent approximately 23% of the district's population.



Below is a map of the Northern Cape that indicates the location of the Emthanjeni Municipality in the Pixley Ka Seme District area:

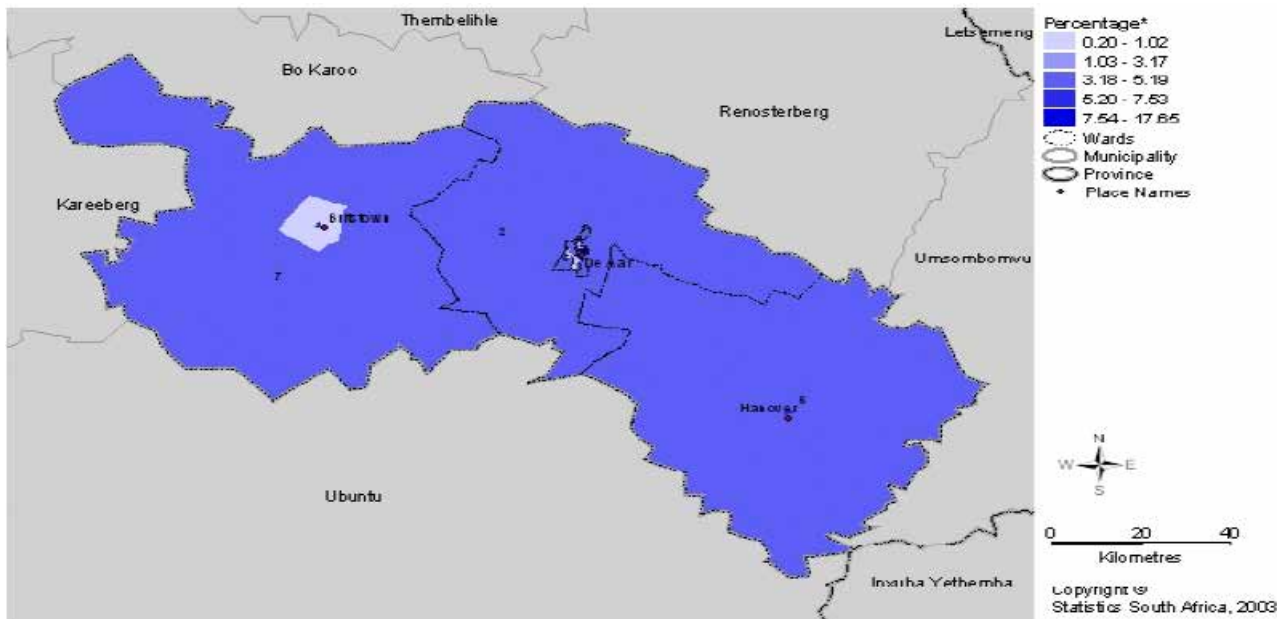


Figure 1: Northern Cape Area map

Wards

The Municipality was structured into the following 7 Wards:

WARD	AREAS
1	Louisville, Montana, Kareeville, Sunrise (Portion)
2	Leeuwenshof, Residensia, New bright, Happy Valley, Extension 20, Klein Kareeville , Extension 7,
3	Nonzwakazi, Portion of Waterdal
4	Barcelona, Malay camp, Portion of Nonzwakazi and Macarena
5	Town Area
6	Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)
7	Jansenville, Mziwabantu, Britstown(town), Proteaville

Table 1: Municipal Wards

De Aar

De Aar means “the artery”, and in many senses this town is the lifeblood of the Karoo. It’s the head office of the Emthanjeni Municipality and Pixley Ka Seme District Municipality; home to many artists; there’s an important weather station that can be toured by visitors, and it’s the second most important railway junction in the country. The significance of its situation on the railway line is because it’s central to Gauteng, Cape Town, Port Elizabeth and Namibia.

There are about 110km of railway lines, including 29 rail-tracks in De Aar’s precincts. However, “De Aar” founded in 1904, was so named because of the many water-bearing arteries that occur underground. Unlike many other Karoo towns, it did not start around the Dutch Reformed Church, but in fact started around the railway line. De Aar has the largest abattoir in the Southern Hemisphere and supplies all the major centres throughout the entire country with the famous “Karoo” lamb and mutton. Apart from meat production, the sheep farms around De Aar are also major suppliers of wool. All the water used in the town comes from boreholes – which is why the town is known for its large number of wind pumps. The town is easily accessible by tarred road, two airfields serve it – one is an all-weather runway that can accommodate any type of aircraft and it’s only 52km away from the national bus route.



Hanover

This attractive and historic little town on the NI lies more or less halfway between Cape Town, Gauteng and Kwazulu-Natal. It was established in 1854 at the base of some rocky hills on the farm Petrusvallei, which was bought from Gert Gous. He requested that the town be called Hanover, after his great grandfather's town in Germany.

When declared a magisterial district in 1876, the town was very fortunate to be appointed with a far-seeing magistrate, Richard Beere. He insisted that trees be planted so that resident's descendants would have shade. Due to the increase in water consumption caused by an increase in residents, the spring that Hanover was built around dried up, and the number of trees seen in the town today is far less than 100 years ago. Beere loved the Karoo and spent a lot of time on the summit of Trappieskop, where a stone pyramid honouring his contribution to the town was erected when he died.

The older houses were all built right on the road edge – as per authority's instructions at the time – and when, in later years, homeowners built on verandas, they had to pay a one shilling tax for this privilege. Today, they are still paying this tax, which is now R17, 00. Hanover was home to Olive Schreiner – well known South African author – who lived here from 1900 to 1907, and referred to it as “the prettiest little village I have ever seen”. Her husband, Cron, was an agent in town and today his offices are used as a small guest house. Like many small Karoo towns, most of the streets are not tarred and the residential areas are very quiet. However, behind garden walls and front doors there's plenty of activity going on as the industrious residents carry out their daily business.

The town is home to a variety of artists and crafts people, as well as having several restaurants, a delightful bookshop, coffee shop and a museum. Interesting Karoo architecture is to be seen and many gardens have a wind pump standing sentinel in one corner. Surrounding farms are principally Merino sheep farms, with many of the country's best breeders farming in the Hanover district. Lesser Kestrels, from Europe and Central Asia, come to nest in trees around town, and can be seen gliding in the dawn and dusk sky from late October to the end of summer.

Britstown

It was in the heady days of The Great Diamond Rush in the year of 1877 that Britstown came into being. Fortune hunters paused here in their frenzied dash to the fabulous diamond field, and a settlement mushroomed to provide fresh horses, fodder, refreshment and accommodation. Soon even a concertina virtuoso made music for happy dancers lubricated by the local brew. First the Fuller and Gibson coaches and then others stopped here. But by the time Britstown gained municipal status in January, 1889, a railway line already snaked across the Karoo plains to carry would-be diamond diggers through to Kimberley.

Livingstone's friend

The small haven of Britstown, along the diamond route across the plains, was named after a man who loved the Karoo, Hans Brits. He once accompanied Dr David Livingstone, famous son-in-law of the great missionary Robert Moffat, on a journey to the north. Livingstone originally came to South Africa to help the Moffat's at their mission in Kuruman, and it was on a journey to the north that he met Brits. They took a liking to each other, and Brits decided to travel with him. But, Livingstone did not get on with the Moffat's, so he soon announced his intentions of travelling deeper into Africa, a decision that led to him becoming probably the continent's most famous explorer. Brits decided against a life of exploration and returned to the Karoo.

Diamonds provide the spark

Hans Brits then settled on a farm he named Gemsbokfontein, which is where Britstown now stands. Soon after the discovery of diamonds at Hopetown and Kimberley, Brits realised that he and his neighbours could earn good money serving the growing traffic along the Diamond Route. So Brits arranged for a town to be laid out on a portion of his farm. As a tribute to him it was named Britstown. The thinking was to establish a point between Victoria West and Kimberley that could provide travellers on the Diamond Route with accommodation and refreshment as well as fresh horses and fodder.



A link with the gold mines

Then, in 1877, a group of men, headed by TP Theron, purchased a section of Hans Brits’s farm to establish a community centre with a church. This accomplished, they handed over the management of the fledgling settlement to church wardens. Traffic through the town increased when gold was discovered in “The Ridge of White Waters” in the old Transvaal Republic. Many of the fabled mining magnates, such as Cecil John Rhodes, passed through Britstown. In time, the town became a major junction on the route to the then South West Africa (Namibia).

B) POPULATION

The table below indicates the total population within the municipal area:

Number of Households	Total Population	African	Coloured	Indian	White
12 500	35 539	10 415	20 666	33	4 425

Table 2: Demographic information of the municipal area – Total population

Source: Census 2001

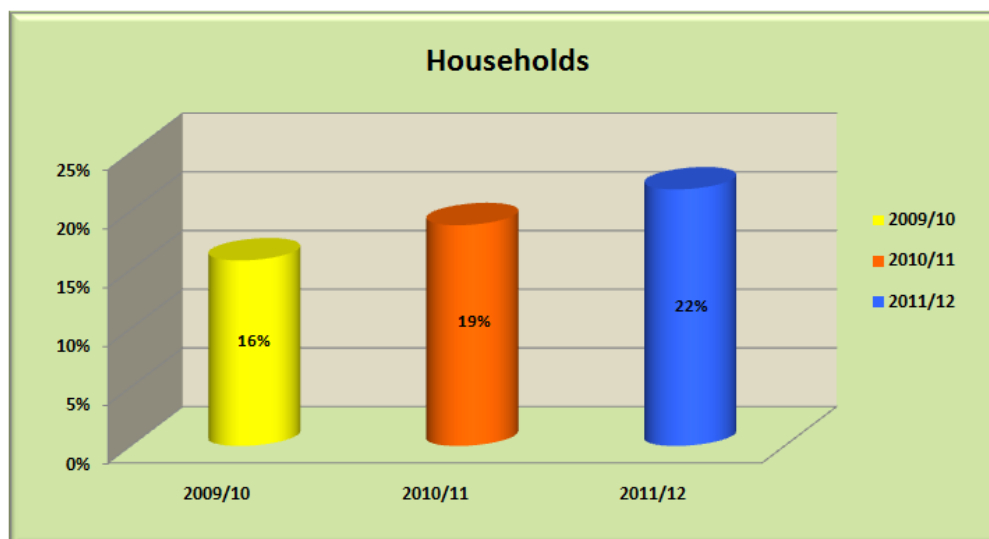
C) HOUSEHOLDS

The total number of households within the municipal area increased from 12 400 households in 2010/11 financial year to a total of 12 500 households in 2011/12 financial year. This indicates an increase in the total number of households within the municipal area over the two years. The average household size in the Emthanjeni Municipal area is 4.

Households	2009/10	2010/11	2011/12
Number of households accounts in municipal area	12 100	12 400	12 500
Number of indigent households in municipal area	1 913	2 333	2 733

Table 3: Total number of households

The graph below shows that the total number of indigent households decreased from 2 333 in 2010/11 to 2 733 in 2011/12 financial year.



Graph 1: Total % indigent households within the municipal area

D) KEY ECONOMIC ACTIVITIES

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

Key Economic Activities	Description
Services Sector (Community)	The services sector consist of the various government institutions, NGO;s, CBO's and NPO's that resides within our area of jurisdiction. ABSA, FNB, STANDARD BANK and CAPITEC
Manufacturing	Stone crushers who specialize in the manufacturing of sand, bricks, cements and rocks Rocla, Green Akker, Vleis Sentraal for meat processing
Retail	Purchasing of goods and services Checkers, Shoprite, Mr Price, Ackermans, Sheet Street, Fashion Express etc.
Agriculture	Game Farming Sheep, goat, pig and cattle farming
Transport	Rail Infrastructure Road Infrastructure
Tourism	To market Emthanjeni as a tourism destination To speed up the restoration of existing attractions and the development of new attractions

Table 4: Key Economic activities

I.1.3 SOCIO ECONOMIC INFORMATION

A) SOCIO ECONOMIC GROWTH

The socio-economic information for the municipal area is as follows:

Housing Backlog	Unemployment Rate	Households with No Income	People older than 14 years illiterate
4 114	23%	43.5%	15%

Table 5: Socio Economic information

B) POPULATION BY GENDER

In 2001 the Emthanjeni population showed that females represent **18 572 (52%)** and males **16 977 (48%)**.

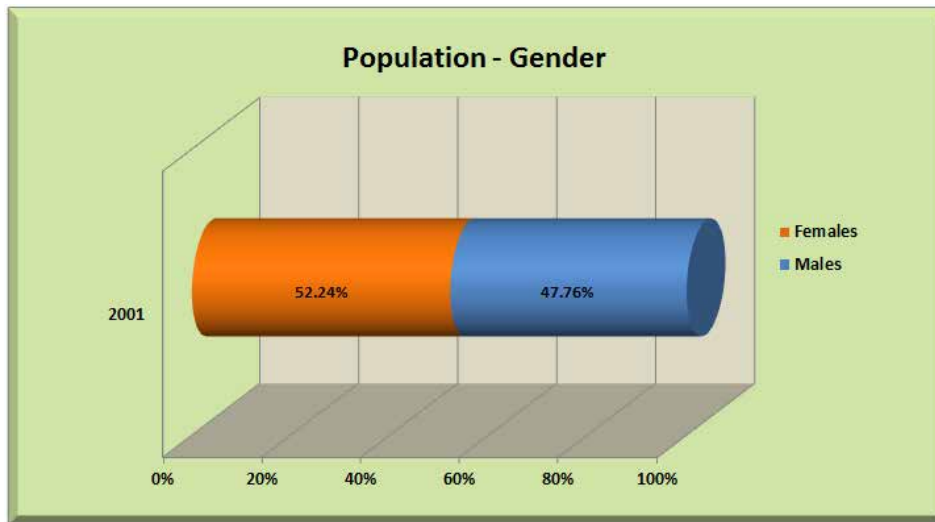
Population - Gender	2001
Females	18 572
Males	16 967
Total	35 539

Table 6: Demographic information of the municipal area – Gender

Source: Census 2001



The following graph displays the female to male ratio.



Graph 2: Gender Population

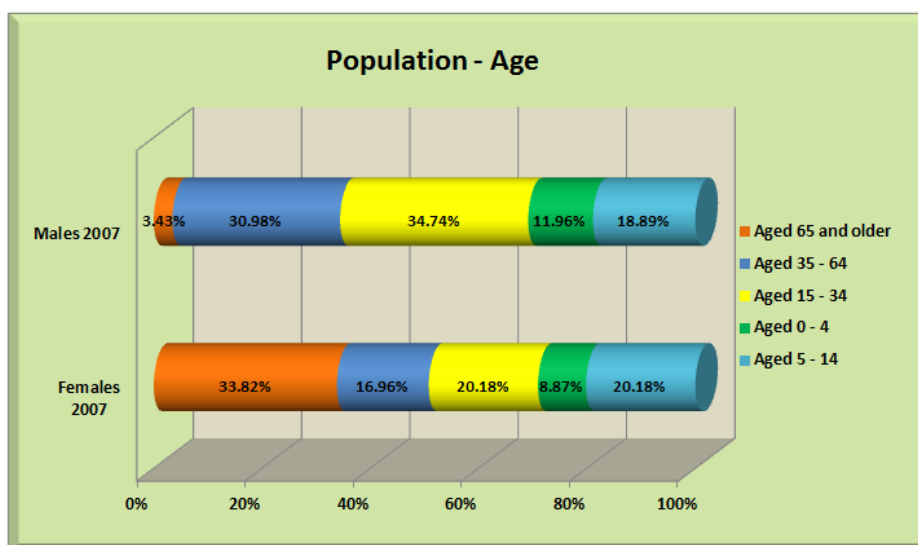
C) POPULATION BY AGE

Population - Gender/Age	2007
Females aged 0 - 4	1 781
Males aged 0 - 4	2 156
Females aged 5 - 14	4 052
Males aged 5 - 14	3 406
Females aged 15 - 34	6 791
Males aged 15 - 34	6 262
Females aged 35 - 64	6 284
Males aged 35 - 64	5 584
Females aged 65 and older	1 295
Males aged 65 and older	619

Table 7: Population by age

Source: Community Survey 2007

The following graph displays the population by age.



Graph 3: Age Population

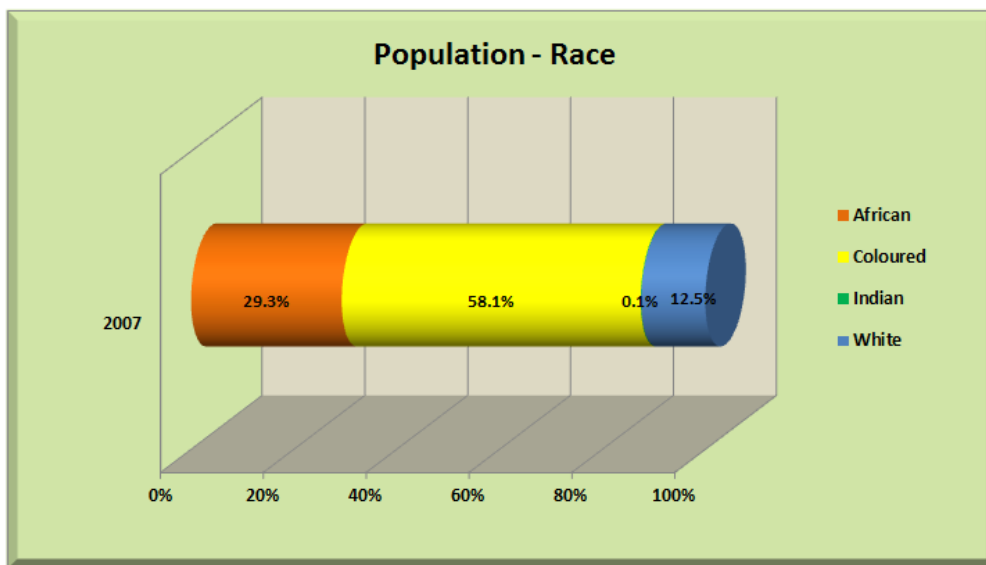
D) POPULATION BY RACE CATEGORIES

Population - Racial	2007	% Population
African	10 415	29.3
Coloured	20 666	58.1
Indian	33	0.1
White	4 425	12.5
Total	35 539	100

Table 8: Demographic information of the municipal area – Race categories

Source: Community Survey 2007

The graph below shows the population by race.



Graph 4: Population by race

1.1.4 MUNICIPAL CHALLENGES

The following general challenges are experienced by the municipality:

CHALLENGES	ACTIONS TO ADDRESS
High unemployment rate and poverty	Implementation of ward based infrastructure projects and other job creation initiatives
Housing Needs	Implementation of Turn key projects
Limited Municipal resources	Effective Budgeting and Financial planning
Replacing of ageing infrastructure	Submit applications to potential funders

Table 9: Municipal Challenges

CHAPTER 2: GOVERNANCE



CHAPTER 2: GOVERNANCE

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

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 7146 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & INDICATORS	Municipal Achievement	
	2010/11	2011/12
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	100	84

Table 10: National KPIs - Good Governance and Public Participation Performance

2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
Good relations between the administration and the Council	Regular open discussions on service delivery matters
Regular Council Meets The People Programmes	Public meetings on IDP/Budget and Ward development

Table 11: Good Governance and Public Participation Performance Highlights

2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

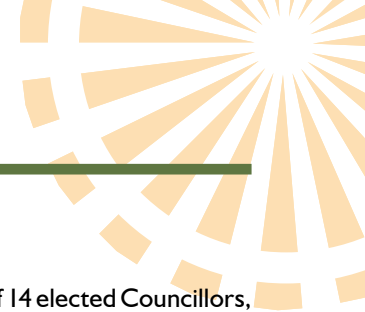
Description	Actions to address
Poor attendance of IDP Rep Forums by Sectoral Departments	Discussion of the matter on District and Provincial Level
Poor functioning of Ward Committees	Training workshops on their functionality

Table 12: :Good Governance and Public Participation Challenges

2.4 GOVERNANCE STRUCTURE

2.4.1 POLITICAL GOVERNANCE STRUCTURE

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



A) COUNCIL

Before the May 2011 local government elections, the Emthanjeni Local Municipal Council comprises of 14 elected Councillors, made up from 7Ward Councillors and 7Proportional Representation Councillors. The portfolio committees are made up of councillors drawn from all political parties. The party and gender representation in the Council is represented the table below:

Below is a table that categorised the councillors within their specific political parties and wards:

Name of councillor	Capacity	Political Party	Ward representing or proportional	Meetings Attendance %
ST Sthonga	Mayor	ANC	Ward Councillor	100
MM Freddie	Speaker	ANC	Proportional	100
NS Thomas	Councillor	ANC	Ward Councillor	100
GL Nyl	Councillor	ANC	Ward Councillor	100
GL Nkumbi	Councillor	ANC	Proportional	100
J Jood	Councillor	ANC	Ward Councillor	100
M Kivedo	Councillor	ANC	Ward Councillor	100
V Jonas	Councillor	Independent	Ward Councillor	100
M Malherbe	Councillor	DA	Proportional	100
W Du Plessis	Councillor	DA	Ward Councillor	100
J Rust	Councillor	DA	Proportional	100
B Swanepoel	Councillor	DA	Proportional	100
A Jaftha	Councillor	DA	Proportional	85
W Witbooi	Councillor	Cope	Proportional	100

Table 13: Council 2011/12

Below is a table which indicates the Council meetings attendance for the 2011/12 financial year:

Meeting dates	Council Meetings Attendance	Apologies for non-attendance
	%	%
14 July 2011	100	0
27 October 2011	100	0
24 February 2012	100	0
31 May 2012	100	0

Table 14: Council meetings

B) EXECUTIVE COMMITTEE

The Mayor of the Municipality, **Councillor ST Sthonga** assisted by the Executive Committee, heads the executive arm of the Municipality. The Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Mayor operates in concert with the Executive Committee.

The name and portfolio of each Member of the Executive Committee is listed in the table below for the period 1 July 2011 to 30 June 2012:

Name of member	Capacity
ST Sthonga	Exco & Technical & Finance
J Rust	Exco & Finance
GL Nyl	Exco & HR and Service Committee & Finance

Table 15: Executive Committee 2011/12

The table below indicates the dates of the Committee meetings and the number of reports submitted to Council for the period 1 July to 30 June 2012:

Meeting date	Number of items submitted to council
28 July 2011	3
6 October 2011	12
22 November 2011	8
27 January 2012	8
1 March 2012	7
23 March 2012	10
24 May 2012	4

Table 16: Committee Meetings

C) PORTFOLIO COMMITTEES

Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council. Section 79 committees are temporary and appointed by the executive committee as needed. They are usually set up to investigate a particular issue and do not have any decision making powers. Just like Section 80 committees they can also make recommendations to Council. Once their *ad hoc* task had been completed, Section 79 committees are usually disbanded. External experts, as well as Councillors can be included on Section 79 committees.

The portfolio committees for the 2006/11 Mayoral term and their Chairpersons are as follows:

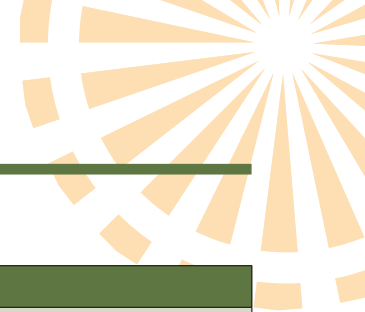
a) Corporate Services & Social Development Committee

Name of member	Capacity
GL Nyl	Chairperson
J Jood	Member
W du Plessis	Member

Table 17: Corporate Services & Social Development Portfolio Committee

Meeting dates	Number of items submitted to council
11 October 2011	3

Table 18: Corporate Services & Social Development Portfolio Committee Meetings



b) Municipal Infrastructure Committee and Development Services Committee

Name of member	Capacity
ST Sthonga	Chairperson
GL Nkumbi	Member
W Witbooi	Member

Table 19: Municipal Infrastructure Portfolio Committee and Development Services Committee

Meeting dates	Number of items submitted to council
16 August 2011	11
29 November 2011	11
17 January 2012	6
6 March 2012	4
2 May 2012	7

Table 20: Municipal Infrastructure Portfolio Committee and Development Services Committee Meetings

c) Municipal Public Accounts Committee

Name of member	Capacity
M Malherbe	Chairperson
GL Nkumbi	Member
M Kivedo	Member

Table 21: Municipal Public Accounts Committee

Meeting dates	Number of items submitted to council
1 March 2012	1
15 March 2012	3
14 June 2012	1

Table 22: Municipal Public Accounts Committee Meetings

d) Rules Committee

Name of member	Capacity
MM Freddie	Chairperson
N Thomas	Member
A Jaftha	Member

Table 23: Rules Committee

Meeting dates	Number of items submitted to council
24 January 2012	2
20 March 2012	1

Table 24: Rules Committee Meetings

e) Financial Committee

Name of member	Capacity
ST Sthonga	Chairperson
GL Nyl	Member
J Rust	Member

Table 25: Financial Committee

Meeting dates	Number of items submitted to council
8 March 2012	2
10 May 2012	2

Table 26: Financial Committee Meetings

2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		Yes/No
I Visser	Municipal Manager	Yes
MF Manuel	Finance	Yes
EM Diamane	Corporate, Community, Development	Yes
FD Taljaard	Infrastructure And Housing	Yes

Table 27: Administrative Governance Structure

2.5 PUBLIC ACCOUNTABILITY

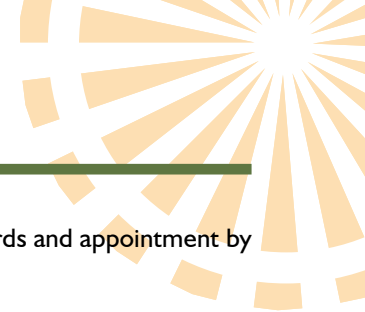
Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory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

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

2.5.1 WARD COMMITTEES

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

The municipality has taken the lead in establishing operational ward committees in all seven wards.



Members were elected through a nomination process by community members residing in the Wards and appointment by Council. The Ward Councillors are the Chairpersons of the various Ward Committees.

Open communication channels and interaction exist between the Ward Committee members, the various municipal organisational structures and other interested non-governmental bodies in the Emthanjeni Municipal area.

The tables below indicate the respective ward committee membership and the dates on which ward committee meetings were held during 2010/2011.

Ward 1

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Paulina Vywers	Ordinary Member	2 August 2011 2 February 2012 25 April 2012
Benita Louw	Youth	
Wendy Baardman	Disabled	
Maria Le Grange	Education	
Flip Goodman	Church	
Arnolds Mackay	Safety	
Hendrick Phillips	Government department	
Renata Smeer	Women	
Gerald Middleton	Youth	
Gregory Afrika	Sport	

Table 28: Ward 1 Committee Meetings

Ward 2

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Micheal Pienaar	Church	28 May 2012 14 June 2012
Ettienne Lawak	Sport	
Irene Absolom	SMME	
Tershia Meyers	Youth	
Richard Mfuku	Youth	
Sharon Wangra	SMME	
M Tybos	Women	
Patricia Olifant	NGO	
Elsie Bosman	Women	
Joline Hoffman	Church	

Table 29: Ward 2 Committee Meetings

Ward 3

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Nontobeko Nkontwana	Government Department	6 February 2012 23 April 2012
Khunjulwa Ninzi	NGO	
Ntombowko George	Women	
Trevon Tokwana	Sport	
T.P Mphephetho	Unemployed	
E.N Ralawe	Women	
Mncedisi Davana	Cultural group	
Mbulelo Mokwena	Youth	
Babalwa Madyo	Youth	
Buyani Maliti	Youth	

Table 30: Ward 3 Committee Meetings**Ward 4**

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Thembekile Grawula	NGO	11 April 2012 22 October 2012
Vuyo Monna	Youth	
Thenjiwe Simanga	Youth	
Sharon Booysen	Education	
Lucinda Brandt	Health/Business	
Mandisa Mfenana	Women	
Nomonde Ngokweni	Church	
Nimrode Godlo	Crime Prevention	
BP Mayekiso	Sport	
Jan Scheffers	Local government	

Table 31: Ward 4 Committee Meetings**Ward 5**

Name of representative	Capacity representing	Dates of public ward meetings held during the year
IJ van Zyl	Ordinary Member	01 February 2012 2 May 2012
CJ Duncan	Business Sector	
GK Engelbrecht	Rotary Club	
CJ Issel	Ordinary Member	
HLE Appolis	Government Department	
H Waters	Youth	
M Morkel	Government Department	
N Silo	Women	
Z Mtwana	Youth	
G Cona	Government Department	

Table 32: Ward 5 Committee Meetings

**Ward 6**

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Julius Bramley	Ordinary Member	21 July 2011 6 February 2012 7 May 2012
Khwetshube Nompumelelo	Women	
Eddie Larkman	Business Sector	
Nyenjiwe Ncapayi	Women	
Thenjiwe Pienaar	Adult Education	
Isaac Andrews	SMME	
Zamile Mhalaba	Government Department	
Linda Joka	Education	
Mlungisi Sestile	Church	
Zamathemba Yawa	Church	

Table 33: Ward 6 Committee Meetings**Ward 7**

Name of representative	Capacity representing	Dates of public ward meetings held during the year
Rachel Arnolds	Women	21 July 2012 2 February 2012 3 May 2012
Wensiwe Fennie	Youth	
Ester Fennie	Government Department	
Daniel Matsio	Old age	
Alime Fililani	Ordinary Member	
Martienes Du Preer	Sport	
Sera Mathews	Church	
Marjou Bezuidenhout	Sport	
Joseph Fortuin	SMME	
Mike Solomon	Ordinary Member	

Table 34: Ward 7 Committee Meetings**2.5.2 FUNCTIONALITY OF WARD COMMITTEE**

The purpose of a ward committee is:

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

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

Transport is provided, where necessary, to ward committee members to attend Ward Committee meetings and functions where public participation, through the Ward Committee system is required.

Venues have been established for the Ward meetings, and support personnel, through the Community Liaison Officers and Community Development Workers have been put at their disposal. Food and beverages are provided at the ward committee meetings.

The table below provides information on the establishment of Ward Committees and their functionality:

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

Table 35: Functioning of Ward Committees

2.5.3 REPRESENTATIVE FORUMS

A) LABOUR FORUM

The table below specifies the members of the Labour forum for the 2011/12 financial year:

Name of representative	Capacity	Meeting dates
B Swanepoel	Employer	24 October 2011 4 May 2012
GL Nyl	Employer	
ST Sthonga	Employer	
A Cawood	Imatu	
E N Jacobs	SAMWU	
M Jack	SAMWU	
Oliphant	SAMWU	
I Visser	Employer	
EM Diamane	Employer	
FM Manuel	Employer	
FD Taljaard	Employer	
Qondile	SAMWU	
Mantji	SAMWU	

Table 36: IDP Forum

2.5.4 IZIMBIZO

Izimbizo gives further effect and concrete expression to participatory democracy so that communities can exercise their rights to be heard, and assist with the national effort to build a better life for all.



The table below categorise the date of events held within the different types of Izimbizo:

Type of Imbizo	Date of events	Event Purpose	Issues raised by community
Council Meets	2 August 2011	Report back to	Housing; Unemployment; Youth
The People	2 February 2012	Communities & Budget and	Matters; Tarred Roads; Cracked
	25 April 2012	IDP process	Houses; Commonage; Dry Sanitation

Table 37: Izimbizo

2.6 CORPORATE GOVERNANCE

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

2.6.1 ANTI-CORRUPTION AND ANTI-FRAUD

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

A) DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted/Reviewed
Anti-corruption strategy	Yes	2012
Fraud prevention strategy	Yes	2012

Table 38: Strategies

2.6.2 AUDIT COMMITTEE/S

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must -

- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –
- internal financial control;
 - risk management;
 - performance Management; and
 - effective Governance.

A) FUNCTIONS OF THE AUDIT COMMITTEE

The Internal Audit function is performed on a shared service basis by the District Municipality and their Audit and Performance Audit Committees are utilized for Emthanjeni purposes.

The main functions of the Audit Committee are prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003 and the Local Government Municipal and Performance Management Regulation.

B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
W De Bruin	Chairperson	10 April 2012
C Penderis	Member	8 May 2012
D Olifant	Member	
D Fourie	Member	29 June 2012

Table 39: Members of the Audit Committee**2.6.3 INTERNAL AUDITING**

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
- (c) risk and risk management.

As mentioned before the Internal Audit function is performed on a shared service basis by the District Municipality.

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Audit reports included the following key focus areas:	
Internal controls	Yes
Accounting procedures and practices	Yes
Risk and risk management	Yes
Performance management	Yes
Loss control	Yes
Compliance with the MFMA and other legislation	Yes

Table 40: Internal Audit Functions**2.6.4 BY-LAWS AND POLICIES**

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

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

By-laws developed/ revised	Date adopted	Public Participation conducted prior to adoption of By-Laws Yes/No	Date of Publication
Municipal Tariff By -Law	31 May 2012	Yes	Provincial Gazette of 2012

Table 41: By-laws



Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted
Removal of Garden Refuse	6 Sept 2011
Provision of Gravel and Red Soil for private purposes	6 Sept 2011
Public Participation Policy	5 November 2011
Policy on the Usage of Municipal Vehicles	5 November 2011
Policy on the usage of the Mayoral Vehicle	5 November 2011
Policy directive on Unauthorized, Irregular or fruitless and wasteful Expenditure	21 January 2012
Vehicle Policy	21 January 2012
Policy for the Use of Cell phone, Telephone, Internet & Data card facilities	21 January 2012
Financial Assistance for Students (Employees)	25 September 2012

Table 42: Policies

2.6.5 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation, and analysis here shows that local residents view the municipality's people relations in a negative light. A successful communication strategy therefore links the people to the municipality's programme for the year.

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

Communication activities	Yes/No
Communication unit	No
Communication strategy	No
Communication Policy	Yes
Customer satisfaction surveys	No
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	No

Table 43: Communication Activities

2.6.6 WEBSITES

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipality place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Date Published
Current annual and adjustments budgets and all budget-related documents	March 201
Budget implementation policy: Tariff policy	May 2012
Budget implementation policy: Credit control policy	May 2012
Budget implementation policy: Rates policy	May 2012
Budget implementation policy: SCM policy	May 2012
Annual report for 2011/12 31	January 2012
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2011/12	September 2012
Documents published on the Municipal website Date Published Information statement containing a list of assets over a prescribed period that have been disposed of in terms of section 14 (2) or (4) of the MFMA during 2011/12	June 2012
Contracts agreed in 11/12 to which subsection (1) of section 33 of the MFMA apply, subject to subsection (3) of that section	n/a
Public-private partnership agreements referred to in section 120 of the MFMA made in 2011/12	No
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2011/ 12	Yes

Table 44: Website Checklist



CHAPTER 3: SERVICE DELIVERY PERFORMANCE



CHAPTER 3: SERVICE DELIVERY PERFORMANCE (ANNUAL PERFORMANCE REPORT)

1) OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

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

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

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

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

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

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



LEGISLATIVE REQUIREMENTS

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

ORGANISATION PERFORMANCE

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

This report highlight the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the National Key Performance Areas, performance on the National Key Performance Indicators prescribed in terms of section 43 of the Municipal Systems Act, 2000 and an overall summary of performance on a functional level.

PERFORMANCE SYSTEM FOLLOWED FOR THE FINANCIAL YEAR 2011/12

ADOPTION OF A PERFORMANCE MANAGEMENT FRAMEWORK

The municipality adopted a performance management framework that was approved by Council during January 2011. However, during 2011 the municipality started a process to review this framework and a draft revised framework was presented to Council on 31 May 2011. The framework will be reviewed in the 2012/13 financial year and a public participation process will be followed.

THE IDP AND THE BUDGET

The IDP was reviewed for 2011/12 and the budget for 2011/12 was approved by Council on 14 May 2011. The IDP process and the performance management process are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

The strategy map below illustrates the strategic link of the focus areas of the municipality with the National Key Performance Areas. The National Key Performance Areas is aligned with the strategic objectives that were identified in the 2011/12 reviewed IDP. The strategic objectives are linked to the outcomes for 2011/12.

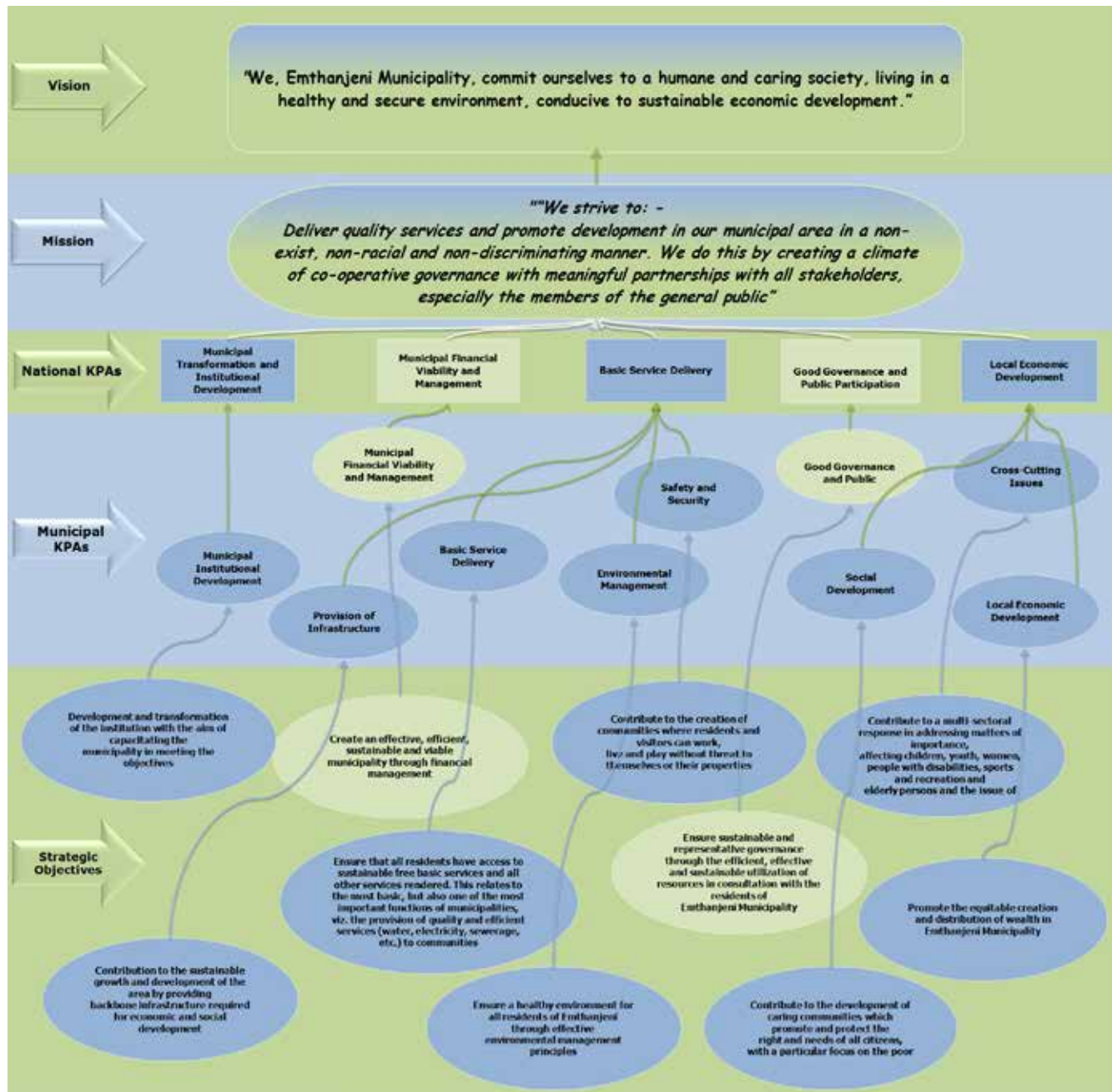


Figure 2: Strategy Map



II) SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate and departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The MFMA Circular No. 13 prescribes that:

- The IDP and budget must be aligned
- The budget must address the strategic priorities
- The SDBIP should indicate what the municipality is going to do during next 12 months
- The SDBIP should form the basis for measuring the performance against goals set during the budget/IDP processes.

The SDBIP were prepared as described in the paragraphs below and the Top Layer SDBIP approved by the Executive Mayor on 10 June 2011.

THE MUNICIPAL SCORECARD (TOP LAYER SDBIP)

The municipal scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities.

Components of the Top Layer SDBIP include:

- **One-year detailed plan**, but should include a **three-year capital plan**
- The 5 necessary components includes:
 - Monthly projections of revenue to be collected for each source
 - Expected revenue to be collected NOT billed
 - Monthly projections of expenditure (operating and capital) and revenue for each vote
 - Section 71 format (Monthly budget statements)
 - Quarterly projections of service delivery targets and performance indicators for each vote
 - Non-financial measurable performance objectives in the form of targets and indicators
 - Output NOT input / internal management objectives
 - Level and standard of service being provided to the community
- Ward information for expenditure and service delivery
- Detailed capital project plan broken down by ward over three years

The following diagram illustrates the establishment, components and review of the municipal scorecard (Top Layer SDBIP):

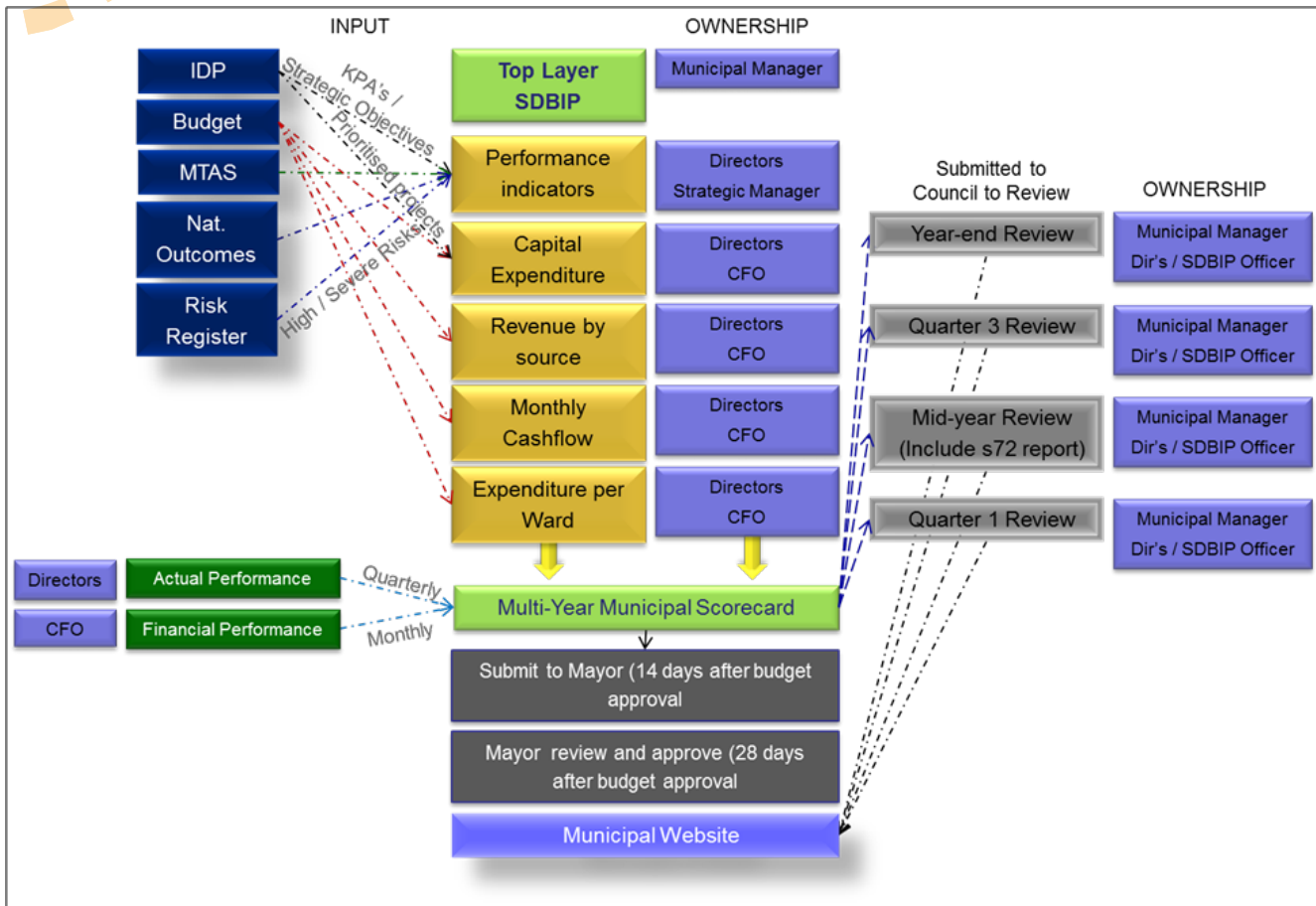


Figure 3: Review of the municipal scorecard (Top Layer SDBIP)

Top Layer KPI's were prepared based on the following:

- Key performance indicators (KPI's) for the programmes / activities identified to address the strategic objectives as documented in the IDP.
- KPI's identified during the IDP and KPI's that need to be reported to key municipal stakeholders.
- KPI's to address the required National Agenda Outcomes, priorities and minimum reporting requirements.
- The municipal turnaround strategy (MTAS)

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the POE's for reporting and auditing purposes.

DIRECTORATE/DEPARTMENTAL SCORECARDS

The directorate and departmental scorecards (detail SDBIP) capture the performance of each defined directorate or department. Unlike the municipal scorecard, which reflects on the strategic performance of the municipality, the departmental SDBIP provide detail of each outcome for which top management are responsible for, in other words a comprehensive picture of the performance of that directorate/sub-directorate. It was compiled by **senior managers** for their **directorate** and consists of objectives, indicators and targets derived from the approved Top Layer SDBIP, the approved budget and measurable service delivery indicators related to each functional area.

The following diagram illustrates the establishment, components and review of the departmental SDBIP:

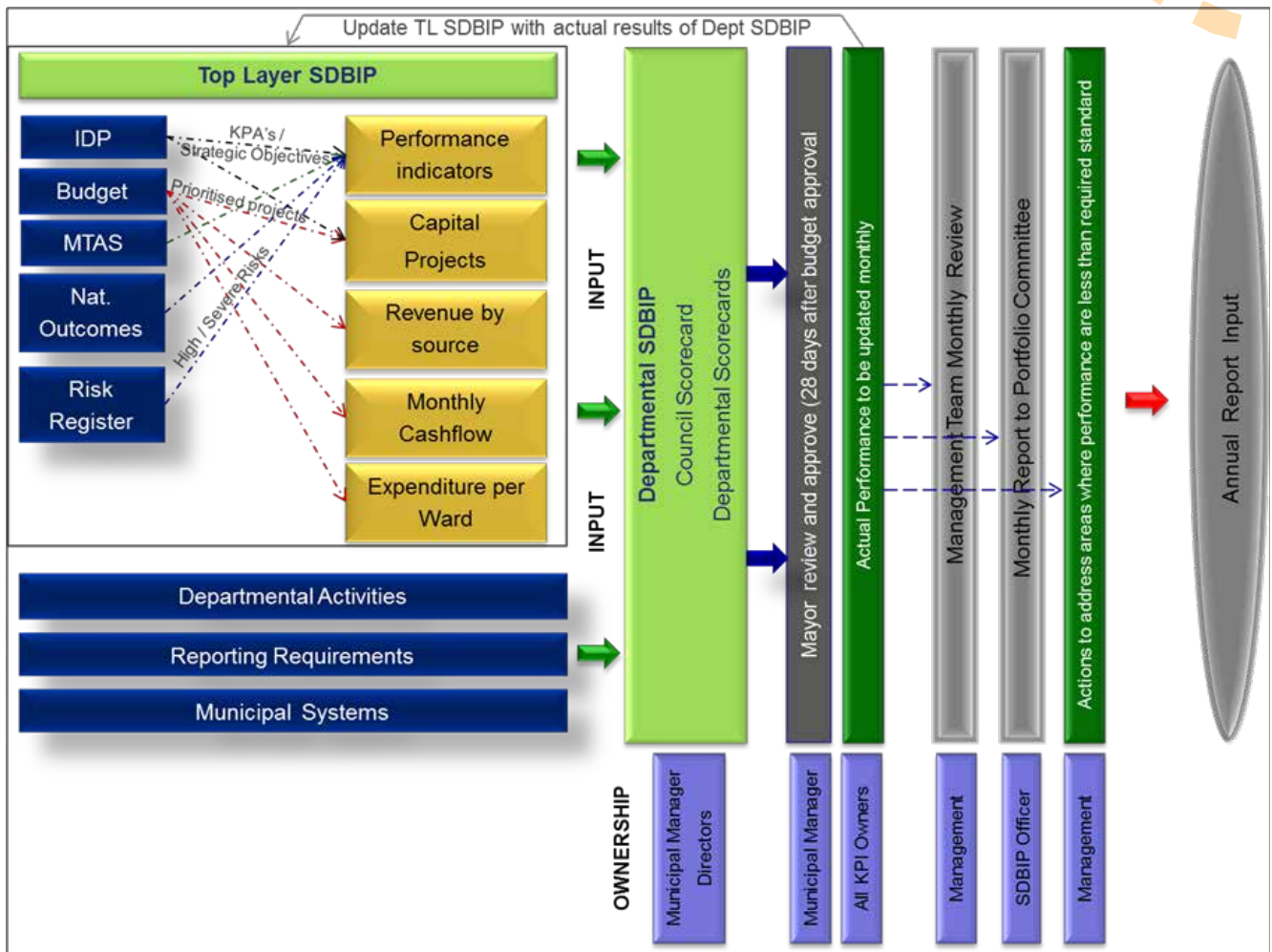


Figure 4: Review of the Departmental SDBIP

KPI's were developed for Council, the Office of the Municipal Manager and for each Directorate. The KPI's:

- Address the TL KPI's by means of KPI's for the relevant section responsible for the KPI.
- Include the capital projects KPI's for projects. The targets are aligned with the projected monthly budget and project plans.
- Address the key departmental activities.
- Each KPI have clear monthly targets and are assigned to the person responsible for the KPI's.

ACTUAL PERFORMANCE

The municipality utilizes an electronic web based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the target set.
- The output/outcome of achieving the KPI.
- The calculation of the actual performance reported. (If %)
- A performance comment.
- Actions to improve the performance against the target set, if the target was not achieved.

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

MONITORING OF THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

Municipal performance is measured as follows:

- Mid-year assessment and submission of the mid-year report to the Mayor in terms of section of Section 72(1)(a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the municipality during the first half of the financial year.
- Actual performance was subjected to an internal audit and results of their findings submitted to the Performance Audit Committee on 05 September 2012.

III) INDIVIDUAL PERFORMANCE

MUNICIPAL MANAGER AND MANAGERS DIRECTLY ACCOUNTABLE TO THE MUNICIPAL MANAGER

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2011/12 financial year were signed during July 2011 as prescribed.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2011/12 financial year (1 January 2012 to 30 June 2012) took place on 5 September 2012 and the mid-year performance of 2011/12 (1 July 2011 to 31 December 2011) took place on 18 March 2012.

The appraisals was done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- Mayor
- Portfolio councillor
- Municipal Manager
- Chairperson of the Audit Committee

OTHER MUNICIPAL PERSONNEL

The municipality will in future financial years implement individual performance management to lower level staff in annual phases.

IV) FINANCIAL MUNICIPAL PERFORMANCE FOR THE 2011/12 FINANCIAL YEAR AND MEASURES TAKEN TO IMPROVE PERFORMANCE

This report provides a high level overview of capital and cash flow performance. Financial performance will be reported in more detail in the Annual Report.



CAPITAL PROJECT PERFORMANCE

Ref	Directorate	Project name	Planned Start Date	Actual End Date	Wards	As at 30 June 2012			
						Total Financials			
						Budget	Actual	Variance	% Spent
CP33	Council	Replacing Mayoral car.	01-Mar-12	25-Aug-11	All	200 500	201 500	-1 000	100.50%
CP4	Council	Replacement of equipment	01-Jul-11	30-Jun-12	All	127 200	88 935	38 265	69.92%
CP14	Municipal Manager	Property, Plant & Equipment: Municipal Manager	01-Jul-11	30-Jun-12	All	31 800	16 430	15 370	51.67%
CP15	Financial Services	Property, Plant and Equipment	01-Jul-11	30-Jun-12	All	10 600	3 996	6 604	37.70%
CP6	Financial Services	Replacement of computer equipment	01-Jul-11	30-Jun-12	All	144 720	118 079	26 641	81.59%
CP20	Financial Services	Property, Plant and Equipment	01-Jul-11	30-Jun-12	All	58 300	3 996	54 304	6.86%
CP5	Financial Services	OPCAR: GRAP Compliance	01-Jul-11	30-Jun-12	All	1 820 000	2 237 993	-417 993	122.97%
CP19	Financial Services	Equipment	01-Jul-11	30-Jun-12	All	16 854	0	16 854	0.00%
CP16	Financial Services	Office Equipment	01-Jul-11	30-Jun-12	All	97 200	47 226	49 974	48.59%
CP34	Financial Services	Purchase vehicle	01-Mar-12	30-Jun-12	All	192 000	193 834	-1 834	100.96%
CP17	Corporate, Community and Development	Capital out of Income	01-Jul-11	30-Jun-12	All	121 900	112 458	9 442	92.25%
CP23	Corporate, Community and Development	Capital out of Income	01-Jul-11	30-Jun-12	All	150 000	131 203	18 797	87.47%
CP24	Corporate, Community and Development	Traffic: Buildings	01-Jul-11	30-Jun-12	All	265 000	75 632	189 368	28.54%
CP27	Corporate, Community and Development	Capital out of Income	01-Jul-11	30-Jun-12	All	14 607	9 996	4 611	68.43%
CP2	Corporate, Community and Development	EIA New Cemetery in Britstown	01-Jul-11	30-Jun-12	All	1 000 000	17 241	982 759	1.72%
CP3	Corporate, Community and Development	Upgrading of existing cemeteries	01-Jul-11	30-Jun-12	All	42 400	13 462	28 938	31.75%
CP21	Infrastructure and Housing Services	Equipment	01-Jul-11	30-Jun-12	All	16 854	6 409	10 445	38.03%

Ref	Directorate	Project name	Planned Start Date	Actual End Date	Wards	As at 30 June 2012			
						Total Financials			
						Budget	Actual	Variance	% Spent
CP31	Infrastructure and Housing Services	MIG: Upgrading Hanover Oxidation Ponds - Retention	28-Oct-11	30-Jun-12	All	0	59 639	-59 639	100.00%
CP7	Infrastructure and Housing Services	Electrification projects of 75 houses	01-Jul-11	30-Jun-12	All	260 000	0	260 000	0.00%
CP8	Infrastructure and Housing Services	Replacement of Prepaid Electricity Meters	01-Jul-11	30-Jun-12	All	848 000	18 010	829 990	2.12%
CP28	Infrastructure and Housing Services	Buildings and Upgrading - Workshop	01-Jul-11	30-Jun-12	All	11 236	0	11 236	0.00%
CP18	Infrastructure and Housing Services	Upgrading of buildings	01-Jul-11	30-Jun-12	All	151 200	38 579	112 621	25.52%
CP32	Infrastructure and Housing Services	MIG: BRITSTOWN BULK WATER SUPPLY	01-Jan-12	30-Jun-12	All	2 700 000	729 647	1 970 353	27.02%
CP30	Infrastructure and Housing Services	Capital out of Income	01-Jun-11	30-Jun-12	All	15 900	11 393	4 508	71.65%
CP13	Infrastructure and Housing Services	Storm Water Drainage Upgrade	01-Jul-11	30-Jun-12	All	8 756 000	7 185 386	1 570 614	82.06%
CP12	Infrastructure and Housing Services	Upgrading of Town Halls	01-Jul-11	30-Jun-12	All	106 000	0	106 000	0.00%
CP10	Infrastructure and Housing Services	New Streets in Emthanjeni	01-Jul-11	30-Jun-12	All	1 378 000	1 449 004	-71 004	105.15%
CP11	Infrastructure and Housing Services	Resealing of streets in Emthanjeni	01-Jul-11	30-Jun-12	All	1 760 000	1 301 770	458 230	73.96%
CP25	Infrastructure and Housing Services	Property, Plant and Equipment	01-Jul-11	30-Jun-12	All	50 562	27 510	23 052	54.41%
CP26	Infrastructure and Housing Services	Parks: Equipment and Tools	01-Jul-11	30-Jun-12	All	42 400	20 065	22 335	47.32%
CP29	Infrastructure and Housing Services	Capital out of Income	01-Jul-11	30-Jun-12	All	49 282	44 150	5 132	89.59%
CP9	Infrastructure and Housing Services	De Aar Upgrade of Purification Works	01-Jul-11	30-Jun-12	All	850 000	1 102 096	-252 096	129.66%
Total:						21 288 514	15 064 138	6 023 876	70.76%

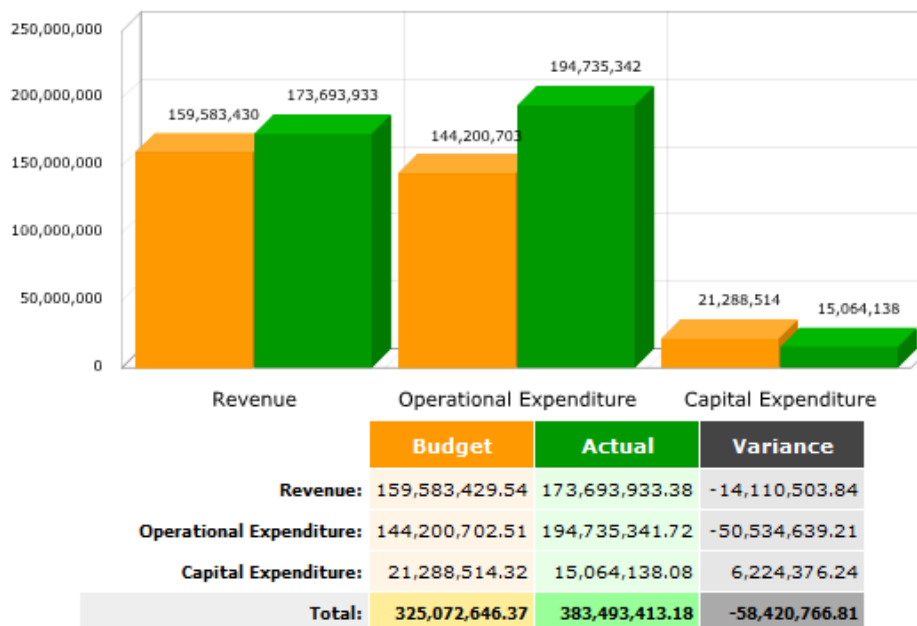
Table 45: Capital Projects Performance 2011/12



CASH FLOW PERFORMANCE

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2010/11	144 766	135 791	(8 975)	94%	159 324	206 667	(47 343)	130%
2011/12	148 902	167 831	18 929	113%	154 807	192 967	(38 160)	125%

Table 46: Cash flow Performance 2011/12



Graph 5: Cash Flow Performance 2011/12

V) SERVICE DELIVERY KEY MUNICIPAL PERFORMANCE FOR THE 2011/12 FINANCIAL YEAR AND MEASURES TAKEN TO IMPROVE PERFORMANCE

PERFORMANCE OF THE NATIONAL PERFORMANCE INDICATORS

The following tables indicate the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Areas.

MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan	0	0
The percentage of a municipality’s budget actually spent on implementing its workplace skills plan	0.26	0.83

Table 47: National Key Performance Indicator - Municipal Transformation and Institutional Development

BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
The percentage of households earning less than R1 100 per month with access to free basic services	30	33
The percentage of households with access to basic level of water	100	100
The percentage of households with access to basic level of sanitation	100	100
The percentage of households with access to basic level of electricity	100	100
The percentage of households with access to basic level of solid waste removal	100	100

*Table 48: National Key Performance Indicators – Basic Service Delivery***LOCAL ECONOMIC DEVELOPMENT**

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
The number of jobs created through municipality's local economic development initiatives including capital projects	242	169

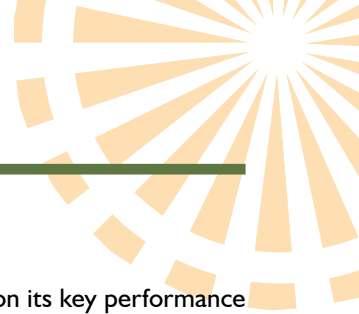
*Table 49: National Key Performance Indicators - Local Economic Development***MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	37,51 %	28,54 %
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	0.51	0.12
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure)	87 %	53 %

*Table 50: National Key Performance Indicators – Municipal Financial Viability and Management***GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	100	84 %

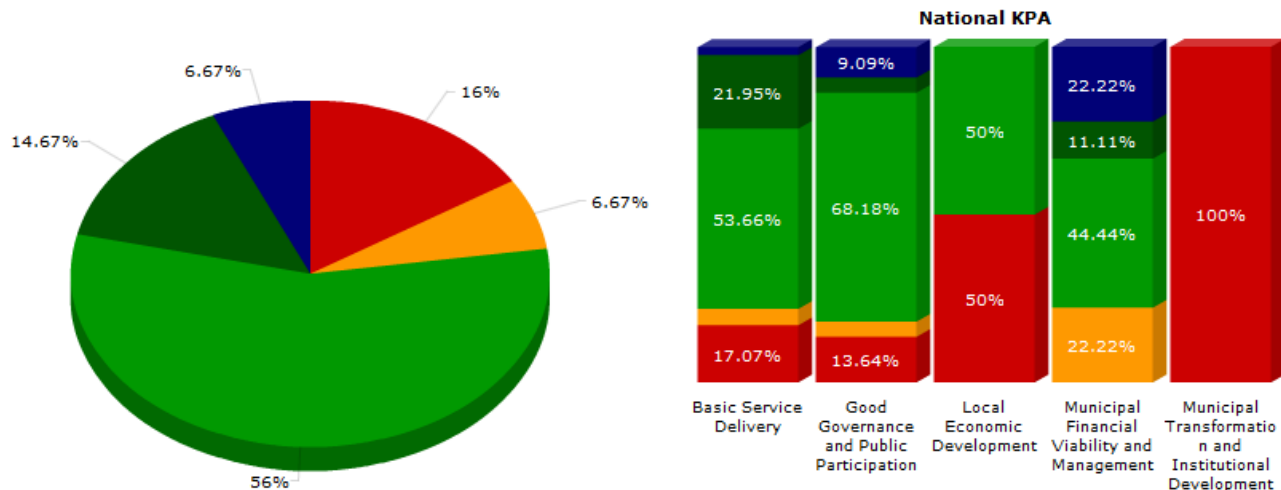
Table 51: National Key Performance Indicators – Good Governance and Public Participation



STRATEGIC PERFORMANCE

Strategic performance of the municipality is measured in terms of the municipality’s performance on its key performance indicators set in the Top Layer SDBIP.

A) OVERALL PERFORMANCE



	Emthanjeni Municipality	National KPA				
		Basic Service Delivery	Good Governance and Public Participation	Local Economic Development	Municipal Financial Viability and Management	Municipal Transformation and Institutional Development
KPI Not Met	12 (16%)	7 (17.1%)	3 (13.6%)	1 (50%)	-	1 (100%)
KPI Almost Met	5 (6.7%)	2 (4.9%)	1 (4.5%)	-	2 (22.2%)	-
KPI Met	42 (56%)	22 (53.7%)	15 (68.2%)	1 (50%)	4 (44.4%)	-
KPI Well Met	11 (14.7%)	9 (22%)	1 (4.5%)	-	1 (11.1%)	-
KPI Extremely Well Met	5 (6.7%)	1 (2.4%)	2 (9.1%)	-	2 (22.2%)	-
Total:	75	41	22	2	9	1

Graph 6: Top Layer SDBIP per National Key Performance Areas

B) ACTUAL STRATEGIC PERFORMANCE AND CORRECTIVE MEASURES THAT WILL BE IMPLEMENTED

Note: Previous year actuals are not available as the web based SDBIP was only implemented for the first time in the 2011/12 financial year and all KPI’s were newly developed. The 2011/12 actuals will be added in the performance report for the 2012/13 financial year.

TOP LAYER SDBIP - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The National Key Performance Area Good Governance and Public Participation are linked to the strategic objective: “Ensure sustainable and representative governance through the efficient, effective and sustainable utilization of resources in consultation with the residents of Emthanjeni Municipality” and “Ensure good relations between all stakeholders in the Municipality”.

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL1	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed	All	n/a	3	3	G
TL7	Effective labour relations by facilitating regular LLF meetings per annum	No of meetings of the LLF per annum	All	n/a	4	4	G
TL8	Revise identified HR policies by the end of June to ensure compliant and up to date HR policies	No of policies revised	All	Not done as new Director was only appointed September 2011, will be completed in new financial year	8	0	R
TL9	Implementation of skills development plan with targeted skills development	No of personnel actually trained/ No of personnel identified for training (%)	All	Due to service providers we had to carry the training for electricians to the new financial year	80%	78%	O
TL5	Effective functioning of ward committees to ensure consistent and regular communication with residents	No of ward committee meetings per ward per annum	All	n/a	4	7	B
TL6	Facilitate youth development in the municipality by establishing a youth council by the end of September	Youth council established	All	Youth coordinator resigned, post still vacant, will address in new financial year	100%	0%	R
TL4	The municipality listens and talks back to its people by ensuring that the IDP is endorsed by all wards	No of ward committees endorsing the IDP	All	n/a	7	7	G
TL3	IDP reviewed and approved annually by the end of May	IDP approved by the end of May	All	n/a	100%	100%	G
TL75	The adjustment budget is approved by Council by the legislative deadline	Approval of adjustments budget before the end of February	All	n/a	100%	100%	G
TL74	The main budget is approved by Council by the legislative deadline	Approval of Main budget before the end of May	All	n/a	100%	100%	G
TL72	Effective functioning of council measured in terms of the number of council meetings per annum	No of council meetings per annum	All	n/a	4	5	G2
TL73	Effective functioning of the committee system measured by the number of committee meetings per committee per quarter	No of sec 79 committee meetings per committee per annum	All	n/a	6	9	B



Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL25	The municipality comply with all the relevant legislation	% compliance	All	n/a	60%	60%	G
TL69	Annual report (January) and Oversight report (March) submitted before end of relevant dates.	Report submitted to Council	All	n/a	100%	100%	G
TL68	No of Section 57 performance agreements signed by the end of July	No of performance agreements signed	All	n/a	4	4	G
TL67	Conduct a citizen satisfaction survey by June 2012 to determine citizen satisfaction	Survey conducted	All	Due to the methodology to be used and cost I could not complete this KPI, but included R 80 000 in the 2012/2013 budget	1	0	R
TL65	Development of public participation policy by June 2012 to ensure effective communication with the communities	Policy completed by the end of June	All	n/a	100%	100%	G
TL70	Functional performance audit committee measured by the number of meetings per annum	No of meetings held	All	n/a	4	4	G
TL64	The SDBIP is approved by the Mayor within 28 days after the budget has been approved	SDBIP approved before the end of June	All	n/a	100%	100%	G
TL66	Initiatives in the anti-corruption policy is successfully implemented	No of initiatives implemented in terms of the approved strategy	All	n/a	1	1	G
TL63	Integrated development planning measured by the alignment of the municipal spending with IDP	The percentage of a municipality's capital budget spent on capital projects identified in the IDP	All	n/a	100%	100%	G
TL71	Risk based audit plan approved by October 2011	Plan approved	All	n/a	100%	100%	G

Table 52: Top Layer SDBIP – Good Governance and Public Participation

TOP LAYER SDBIP - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The National Key Performance Area Municipal Transformation and Institutional Development is linked to the strategic objective: "Encourage capacitating and promote skills development of all staff"

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL2	Targeted skills development measured by the implementation of the workplace skills plan	Value of the budget spent on implementation of the WSP	All	Training for the electricians is envisaged to start at any time, just waiting for the service provider to indicate	R 300,000	R 130,000	R

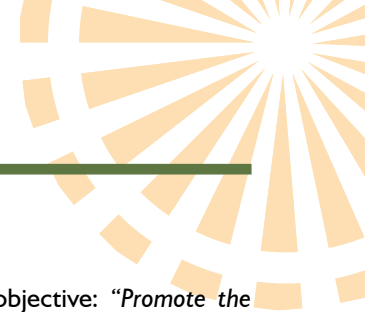
Table 53: : Top Layer SDBIP – Municipal Transformation and Institutional Development

TOP LAYER SDBIP - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The National Key Performance Area Municipal Financial Viability and Management are linked to the strategic objective: "Ensure accurate & Timeous reporting" and "Create and effective, efficient, sustainable and viable municipality through financial management"

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL24	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage (Available cash+ investments)/ Monthly fixed operating expenditure	All	Credit Control will be vigorously be implemented. The appointment of VeriCred Bureau will also assist with the collection and recovery of arrear amounts.	1.1	0.94	O
TL22	Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage (Total operating revenue operating grants received)/ debt service payments due within the year)	All	n/a	2	5.36	B
TL23	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	n/a	67.80%	83%	G2
TL26	Compliance with GRAP 16, 17 & 102 to ensure effective asset management	% compliance	All	n/a	70%	70%	G
TL31	Compliance with the SCM Act measured by the limitation of successful appeals against the municipality	0 successful appeals	All	n/a	0	0	G
TL29	Improvement in capital conditional grant spending measured by the % spent	% of the grant spent	All	Proper planning and awarding of tenders will be adhered to during the 2012/2013 financial year.	100%	90%	O
TL30	Improvement in operational conditional grant spending measured by the % spent	% of the grant spent	All	n/a	100%	100%	G
TL27	No of Root causes of issues raised by AG in AG report of the previous financial year addressed to promote a clean audit	% of Root causes addressed	All	n/a	85%	85%	G
TL28	That Council take note that the Annual Financial Statements been submitted to the Auditor General.	Submitted Annual Financial Statements	All	n/a	0	1	B

Table 54: Top Layer SDBIP – Municipal Financial Viability and Management



TOP LAYER SDBIP - LOCAL ECONOMIC DEVELOPMENT

The National Key Performance Area Local Economic Development is linked to the strategic objective: “Promote the equitable creation and distribution of wealth in Emthanjeni Municipality”

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL10	Local Economic Development is driven by a strategy	LED strategy completed and approved by the end of December	All	n/a	100%	100%	G
TL11	No of initiatives implemented in terms of the approved LED strategy	No of initiatives	All	LED strategy not finalised, initiatives will be identified and implemented once strategy is approved	2	0	R

Table 55: Top Layer SDBIP – Local Economic Development

TOP LAYER SDBIP - BASIC SERVICE DELIVERY

The National Key Performance Area Basic Service Delivery is linked to the strategic objectives: “Contribution to the sustainable growth and development of the area by providing backbone infrastructure required for economic and social development”, “Ensure a healthy environment for all residents of Emthanjeni through effective environmental management principles”, “Ensure that all residents have access to sustainable free basic services and all other services rendered”, “Contribute to the development of caring communities which promote and protect the right and needs of all citizens, with a particular focus on the poor”, “Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties” and “Contribute to a multi-sectoral response in addressing matters of importance affecting children, youth, women, the disabled, sports and recreation, elderly persons and HIV/AIDS”

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL13	Develop and implement a comprehensive law enforcement strategy to decrease high risk violations	Strategy completed by the end of June	All	No funding was available to appoint service provider, will be considered in future financial years	100%	0%	R
TL12	Disaster Management Plan reviewed by the end of September	Plan reviewed by the end of September	All	n/a	100%	100%	G
TL18	Provision of free basic electricity in terms of the equitable share requirements	No of HH receiving free basic electricity	All	n/a	2,300	2,540.25	G2
TL19	Provision of free basic electricity in terms of the equitable share requirements	Quantum of free basic electricity per household	All	n/a	50	50	G
TL20	Provision of free basic refuse removal in terms of the equitable share requirements	No of HH receiving free basic refuse removal	All	n/a	2,300	2,540.25	G2
TL21	Provision of free basic refuse removal in terms of the equitable share requirements	Quantum of free basic refuse removal per month per household	All	n/a	R 79.64	R 79.64	G
TL16	Provision of free basic sanitation in terms of the equitable share requirements	No of HH receiving free basic sanitation	All	n/a	2,300	2,540.25	G2
TL17	Provision of free basic sanitation in terms of the equitable share requirements	Quantum of free basic sanitation provided per HH	All	n/a	R 127.72	R 127.72	G

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL14	Provision of free basic water in terms of the equitable share requirements	No of HH receiving free basic water	All	n/a	2,300	2,540.25	G2
TL15	Quantum of free basic water per household in terms of the equitable share requirements	Quantum of free basic water provided per household	All	n/a	6	6	G
TL35	Provision of electricity that are connected to the national grid to all formal areas	No of formal areas that meet agreed service standards	All	n/a	7,500	7,500	G
TL36	Provision of refuse removal, refuse dumps and solid waste disposal to all areas	No of HH for which refuse is removed at least once a week	All	n/a	7,500	7,500	G
TL33	Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal HH	No of formal HH that have at least VIP on site	All	n/a	7,500	7,500	G
TL32	Provision of cleaned piped water to all formal HH within 200m from the household	No of formal HH that meet agreed service standards for piped water	All	n/a	7,500	7,500	G
TL61	Develop a business plan for the provision of sufficient street lights for dark areas	Completed business plan by the end of September 2011	All	n/a	1	1	G
TL56	Completion of the High voltage power capacity in De Aar to improve distribution capacity	% completed	All	n/a	30	30	G
TL59	Effective electricity capital spending measured by the % of budget spent	% spent of approved electricity capital projects	All	n/a	95%	100%	G2
TL58	Effective management of electricity provisioning systems	% of electricity unaccounted for	All	Bypass-meters replace within 24 hours to reduce losses	20%	21%	R
TL60	Electricity assets is maintained in terms of the maintenance budget spent	% of maintenance budget of electricity spent	All	n/a	95%	95%	G
TL57	Electricity connections to provide electricity reticulation to new developments	No of new electricity connections	All	n/a	80%	100%	G2
TL38	Effectively plan to eradicate current housing backlog with formalised land use plans for economic and social facilities and with the provision of permanent basic services	No of households without	All	n/a	3,000	4,114	G2
TL37	Implementation of Integrated Human Settlement Strategy measured by the no of projects complying with approved strategy by the end of June	No of houses built by the end of June 2012	All	Contractor did not perform, will be addressed in terms of SLA	115	0	R
TL47	Effective municipal roads capital spending measured by the % of budget spent	% spent of approved roads capital projects	All	n/a	95%	95%	G
TL49	Maintenance of municipal roads	% of maintenance budget of municipal roads spent	All	n/a	95%	95%	G



Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL48	Municipal roads is maintained measured by the square meters of roads patched and resealed according to approved maintenance plan	Kms of roads patched and resealed	All	Target of 12,000km is wrong. Budgeted for 1km	12,000	13,525	G2
TL46	Provision of municipal roads measured by the km of new road for previously unserviced areas	No of kilometres	All	n/a	1	1	G
TL45	Improvement of refuse sites' capacity by the end of June ensuring that all sites have a permit. Application for funding is the first priority and must be done before end of June	No of sites with permits	All	Will apply for funding during 2012/13 financial year	2	1	R
TL41	Develop a maintenance schedule for aging infrastructure and day to day maintenance for electricity, water and roads	No of maintenance schedules completed	All	Will implement after appointing Head Electrical	3	2	R
TL40	Effective storm water capital spending measured by the % of budget spent	% spent of approved storm water capital projects	All	n/a	95%	95%	G
TL39	Implementation of a Storm water Master Plan by the end of June	No of works completed in terms of the business plan by June 2012	All	n/a	2	2	G
TL44	Sanitation assets is maintained in terms of the maintenance budget spent	% of maintenance budget of sanitation spent	All	Monthly spending control meetings with staff will be implemented	95%	80%	O
TL42	Storm water assets is maintained in terms of the maintenance budget spent	% of maintenance budget of storm water spent	All	n/a	95%	95%	G
TL34	Upgrade current sanitation systems for domestic waste water and sewerage disposal in Britstown from the bucket system to a full sanitation system	Completion of an approved business plan by the end of June	All	n/a	100%	100%	G
TL43	Quality of waste water discharge measured by the % water quality level	% water quality level of waste water discharge	All	Upgrading WWTW De Aar during 2012/13	75%	21%	R
TL62	Approval of water feasibility study to ensure sustainable water provision in the municipality	Approval from DWA	All	n/a	100%	100%	G
TL51	Effective management of water provisioning systems to limit unaccounted water	% of water unaccounted for	All	n/a	19.4	16.8	B
TL53	Effective water capital spending measured by the % of budget spent	% spent of approved water capital projects	All	n/a	95%	100%	G2
TL50	New water connections to provide for potable water supply systems	No of new water connections per quarter	All	Construction of 115 houses not completed. Water connection will be done after completion.	115	0	R

Ref	KPI	Unit of Measurement	Wards	Departmental Corrective Measures	Overall Performance for Sep 2011 to Jun 2012		
					Target	Actual	R
TL54	Water assets is maintained in terms of the maintenance budget spent	% of maintenance budget of water spent	All	n/a	95%	95%	G
TL55	Implementation of the Water Conservation Demand Management plan by the end of June	No of water saving initiative implemented in terms of the plan	All	n/a	4	4	G
TL52	Excellent water quality measured by the quality of water as per blue drop	% water quality level	All	Funding received for water purification during 2012/13	75%	63%	O

Table 56: Top Layer SDBIP – Basic Service Delivery

FUNCTIONAL PERFORMANCE

The directorate and departmental scorecards (detail SDBIP) capture the performance of each defined directorate or department. Unlike the municipal scorecard, which reflects on the strategic performance of the municipality, the departmental SDBIP provide detail of each outcome for which top management are responsible for, in other words a comprehensive picture of the performance of that directorate/sub-directorate.

The diagram below illustrates the alignment between National Key Performance Areas and the Strategic (IDP) Objectives:

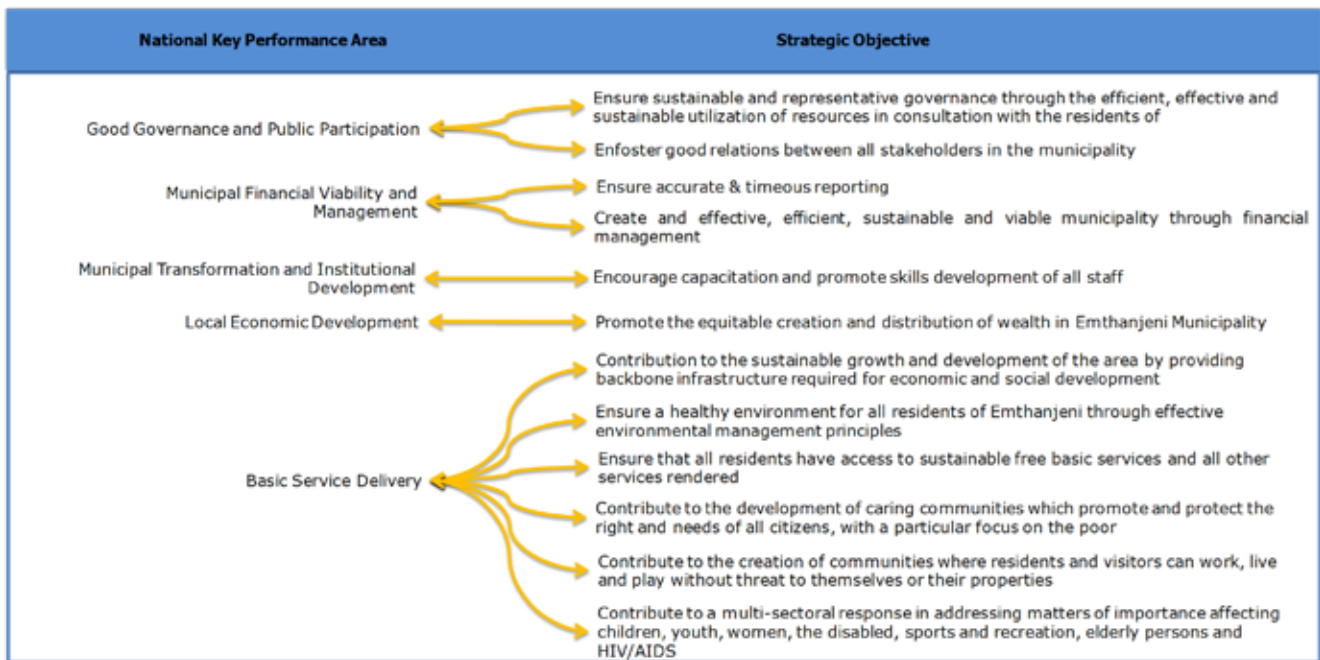
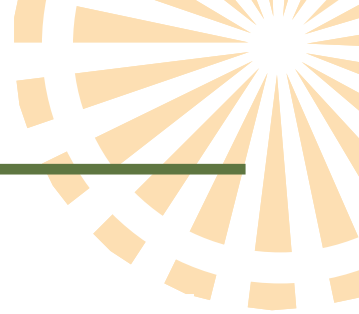
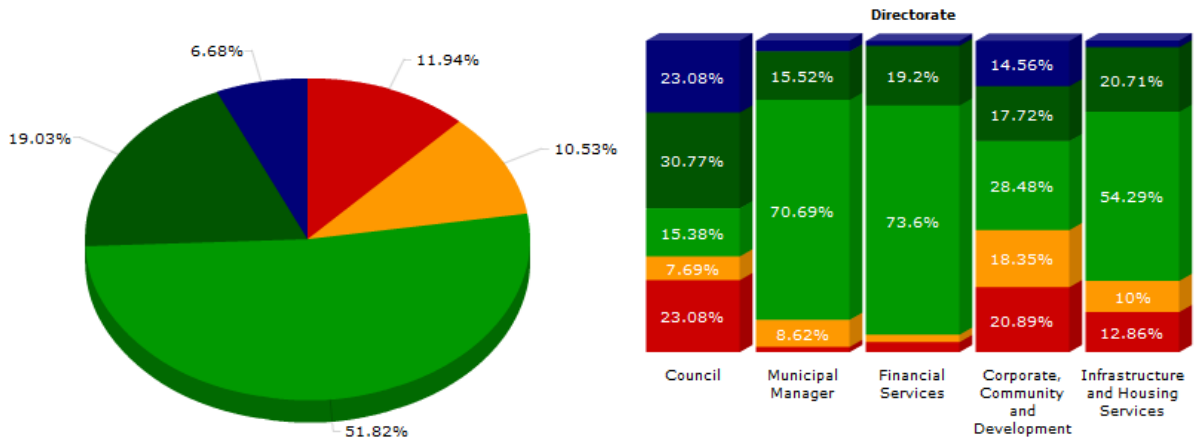


Figure 5: National KPAs linked to the Strategic Objectives



A) OVERALL PERFORMANCE PER DIRECTORATE



	Emthanjeni Municipality	Directorate				
		Council	Municipal Manager	Financial Services	Corporate, Community and Development	Infrastructure and Housing Services
KPI Not Met	59 (11.9%)	3 (23.1%)	1 (1.7%)	4 (3.2%)	33 (20.9%)	18 (12.9%)
KPI Almost Met	52 (10.5%)	1 (7.7%)	5 (8.6%)	3 (2.4%)	29 (18.4%)	14 (10%)
KPI Met	256 (51.8%)	2 (15.4%)	41 (70.7%)	92 (73.6%)	45 (28.5%)	76 (54.3%)
KPI Well Met	94 (19%)	4 (30.8%)	9 (15.5%)	24 (19.2%)	28 (17.7%)	29 (20.7%)
KPI Extremely Well Met	33 (6.7%)	3 (23.1%)	2 (3.4%)	2 (1.6%)	23 (14.6%)	3 (2.1%)
Total:	494	13	58	125	158	140

Graph 7: Departmental SDBIP Performance per Directorate

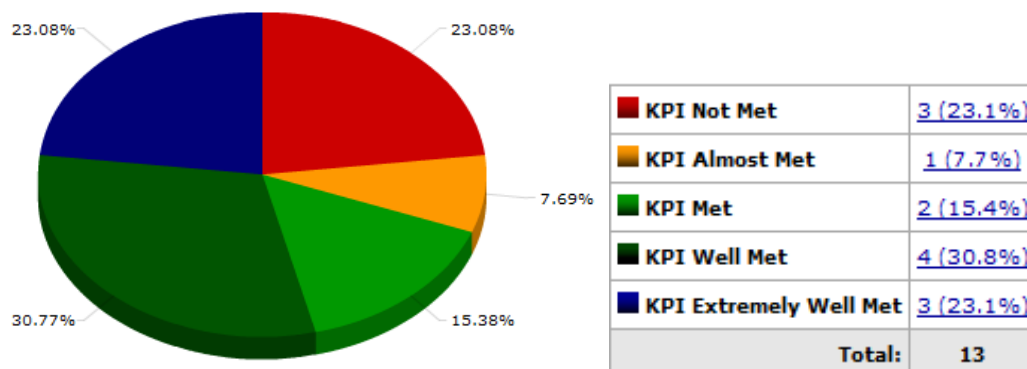
B) HIGH LEVEL PERFORMANCE PER DEPARTMENT

COUNCIL

Council consists of the following divisions:

- Council

PERFORMANCE OF THE VARIOUS SUB-DIRECTORATES WITHIN COUNCIL



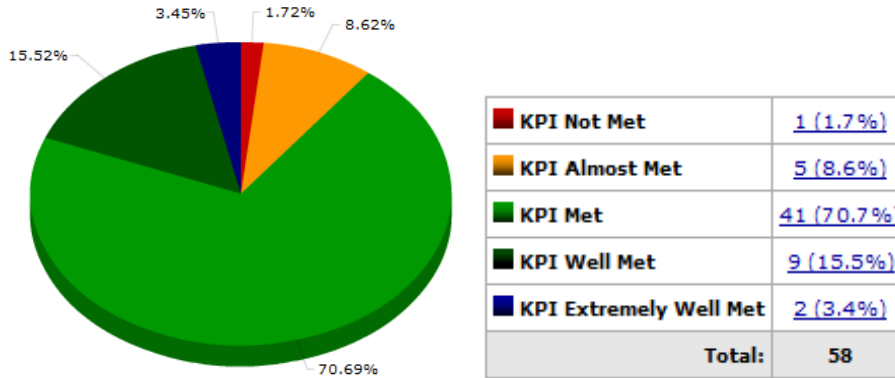
Graph 8: Council SDBIP

OFFICE OF THE MUNICIPAL MANAGER

Office of the Municipal Manager consists of the following divisions:

- Municipal Manager
- Internal Audit

PERFORMANCE OF THE VARIOUS SUB-DIRECTORATES WITHIN OFFICE OF THE MUNICIPAL MANAGER



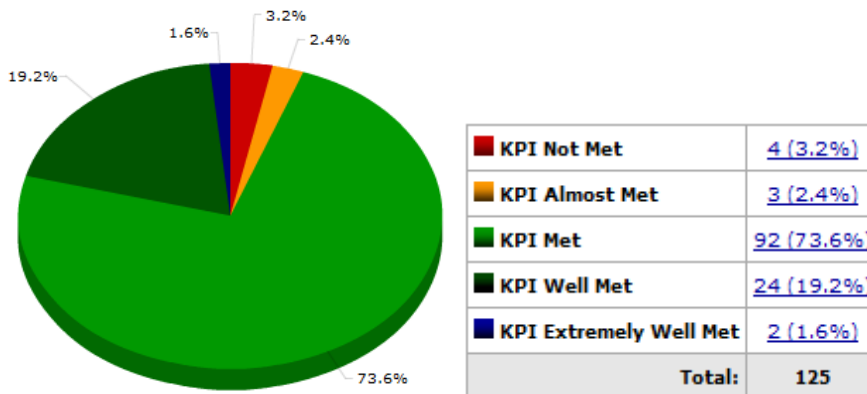
Graph 9: Office of the Municipal Manager

FINANCIAL SERVICES

Financial Services consists of the following divisions:

- Director: Financial Services
- Budget and Treasury Office: Budgets
- Budget and Treasury Office: Reporting & Financial Statements
- Financial Services: IT
- Financial Services: Asset Management
- Financial Services: Expenditure
- Financial Services: Credit Control
- Financial Services: Revenue
- Financial Services

PERFORMANCE OF THE VARIOUS SUB-DIRECTORATES WITHIN FINANCIAL SERVICES



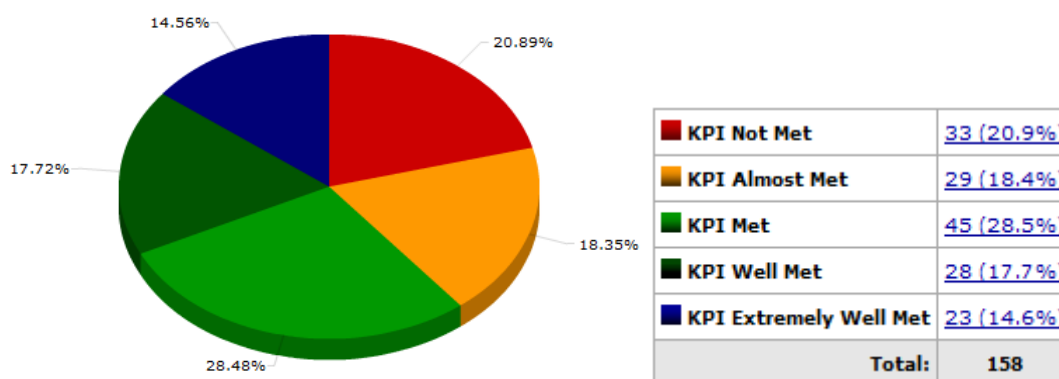
Graph 10: SDBIP Financial Services



CORPORATE, COMMUNITY AND DEVELOPMENT CONSISTS OF THE FOLLOWING DIVISIONS:

- Director: Corporate, Community and Development
- Office Administration
- Human Resources
- Community Services: Libraries
- Community Services: Traffic
- Community Services: Community Services
- Tourism
- IDP
- LED
- Project Management
- Primary Health Services

PERFORMANCE OF THE VARIOUS SUB-DIRECTORATES WITHIN CORPORATE COMMUNITY AND DEVELOPMENT SERVICES



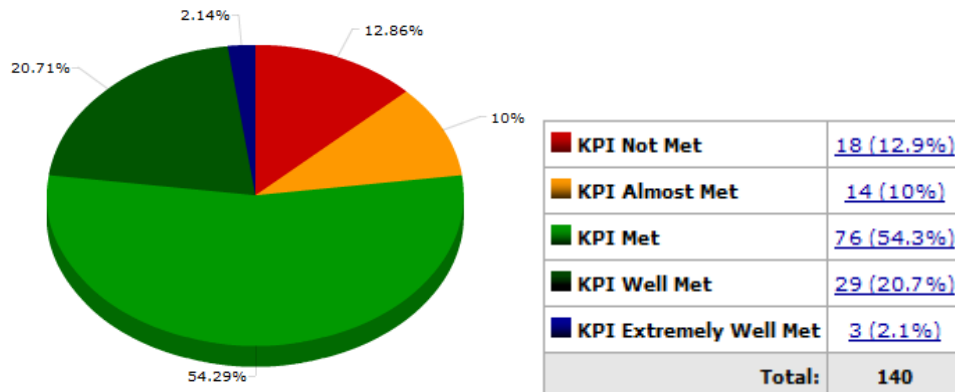
Graph 11: Corporate Community and Development Services

INFRASTRUCTURE AND HOUSING SERVICES

Infrastructure and Housing Services consists of the following divisions:

- Director: Infrastructure and Housing Services
- Electro Technical Services
- Technical Services: Mechanical Services
- Technical Services: Building Control
- Technical Services: Water Works
- Technical Services: Streets, Buildings and Parks
- Technical Services: Sanitation
- Housing

PERFORMANCE OF THE VARIOUS SUB-DIRECTORATES WITHIN INFRASTRUCTURE AND HOUSING SERVICES



Graph 12: Infrastructure and Housing Services SDBIP

SERVICE PROVIDERS STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract is complied with.

VI) DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2012/13

The main development and service delivery priorities for 2012/13 forms part of the Municipality's top layer SDBIP for 2012/13 and are indicated in the table below:

CONTRIBUTE TO THE CREATION OF COMMUNITIES WHERE RESIDENTS AND VISITORS CAN WORK, LIVE AND PLAY WITHOUT THREAT TO THEMSELVES OR THEIR PROPERTIES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL22	Optimal collection of traffic fines issued for the financial year	% of fines collected	All	65%
TL23	Law Enforcement initiative to decrease incidents affecting traffic safety	# of road blocks	All	24
TL24	Participate in annual National Arrive Alive Programme	Number of joint operations	All	2
TL25	Speed law enforcement (direct prosecution)	# of enforcement sessions	All	48



REF	KPI	Unit of Measurement	Wards	Annual Target
TL26	Implement AARTO	Number of MOU's signed	All	2
TL27	Road safety awareness campaigns held in all wards	Number of campaigns	All	7
TL28	Increase capacity of traffic services to optimize revenue collection	Number of staff appointed	All	2
TL29	Annually review and submit the Disaster Management Plan for assessment by the District by the end of March 2013	% completed	All	100%
TL30	Inspect and assess infrastructure and role players to ensure disaster operational readiness and submit assessment report	Number of reports	All	1
TL31	Compile a contingency plan for Head Office and Infrastructure offices in Voortrekker Street by the end of June 2013	Number of plans	All	2
TL32	Reaction time to emergencies to fire brigade services act (< 16 minutes) average response time	% Within 16 minutes	All	100%

Table 57: Service Delivery Priorities for 2012/13 – Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

CONTRIBUTE TO THE DEVELOPMENT AND PROTECTION OF THE RIGHTS AND NEEDS OF ALL RESIDENTS WITH A PARTICULAR FOCUS ON THE POOR

REF	KPI	Unit of Measurement	Wards	Annual Target
TL19	Establish commonage committee by the end of December 2012	% established	All	100%
TL20	Compile a rural development strategy by the end of June 2013	% completed	All	100%
TL21	Library awareness programmes through exhibitions	Number of campaigns	All	10

Table 58: Services Delivery Priorities for 2012/13 - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

DEVELOPMENT AND TRANSFORMATION OF THE INSTITUTION WITH THE AIM OF CAPACITATING THE MUNICIPALITY IN MEETING THEIR OBJECTIVES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL1	Percentage of the total municipal budget spent on skills development	% of the total municipal budget spent	All	0.70%
TL2	Percentage vacancy level as % of approved organogram (National norm between 10-15%)	% Vacancy level as % of approved organogram	All	15%
TL3	Compile a comprehensive Human Resource Plan by the end of June 2014	% completed	All	50%
TL4	Complete an absenteeism policies	Number of policies	All	2
TL5	Establish a client service desk	% completed	All	50%
TL6	Review existing adopted by-laws	Number of by-laws	All	3
TL7	Implement a system to monitor Council resolutions by the end of June 2013	% completed	All	1%
TL8	Implement the branding strategy of Emthanjeni by completing phase 4 and 5 by the end of June 2013	Number of phases	All	2

REF	KPI	Unit of Measurement	Wards	Annual Target
TL9	Compile a maintenance needs analysis for all municipal buildings and offices (libraries, halls, youth advisory centres offices, traffic department) by the end of June 2013	Number of analysis completed	All	5

Table 59: Services Delivery Priorities for 2012/13 -Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

MAINTAINING A FINANCIALLY SUSTAINABLE AND VIABLE MUNICIPALITY

REF	KPI	Unit of Measurement	Wards	Annual Target
TL33	Improve the Audit Opinion from qualified to unqualified by end of 2012/13	% of target reached	All	100%
TL34	Submit annual financial statements by end August 2012	% of target reached	All	100%
TL35	Reporting monthly to Council on financial position ito sec71 of the MFMA	Number of reports	All	12
TL36	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage (Available cash + investments)/ Monthly fixed operating expenditure	All	1.1
TL37	Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year)	All	2
TL38	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	67%
TL39	Provide 6kl of free basic water in terms of the equitable share requirements to indigent households	Number of HH receiving free basic water	All	7,500
TL40	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Number of HH receiving free basic sanitation	All	3,500
TL41	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Quantum of free basic sanitation provided per he	All	R 135.38
TL42	Provide 50 kWh of free basic electricity in terms of the equitable share requirements to indigent households	Number of HH receiving free basic electricity	All	3,500
TL43	Provision of free basic refuse removal in terms of the equitable share requirements to indigent households	Number of HH receiving free basic refuse removal	All	3,500
TL44	Provision of free basic refuse removal in terms of the equitable share requirements to indigent households	Quantum of free basic refuse removal per month per household	All	R 84.41
TL45	Compile a Revenue Enhancement Strategy and submit to Council by end March 2013	% Completion	All	100%
TL46	Implement the revenue enhancement strategy	Number of initiatives ito strategy implemented	All	1
TL47	Achieve a payment percentage of above 80%	Payment %	All	80%



REF	KPI	Unit of Measurement	Wards	Annual Target
TL48	Complete a General Valuation Roll by end June 2013	% Completed	All	100%
TL49	Review the SCM policy in line with legal requirements by end March 2013	% completed	All	100%
TL50	Prepare and submit to Council a main budget by end March 2013 and an adjustments budget by end February 2013	Approved main & adjustments budgets	All	100%

Table 60: Services Delivery Priorities for 2012/13 - Maintaining a financially sustainable and viable municipality

PROMOTE REPRESENTATIVE GOVERNANCE THROUGH THE SUSTAINABLE UTILISATION OF AVAILABLE RESOURCES IN CONSULTATION WITH THE RESIDENTS OF EMTHANJENI MUNICIPALITY

REF	KPI	Unit of Measurement	Wards	Annual Target
TL94	Risk based audit plan approved annually by June 2013	Plan approved	All	100%
TL95	Implement the RBAP	% implemented	All	70%
TL96	Compile a service delivery and budget implementation plan in line municipal functions and approved budget by end June 2013	% completed	All	100%
TL97	Monitor municipal performance with regard to service delivery and submit performance reports to Council	No of performance reports evaluated annually	All	4
TL98	Conduct a citizen satisfaction surveys to determine citizen satisfaction by end March 2013	Survey conducted annually	All	100%
TL99	Implement initiatives in the anti-corruption strategy as approved	Number of initiatives implemented	All	1
TL100	Implement the public participation policy	Number of initiatives implemented	All	1
TL101	Implement public education campaigns on municipal services and natural resources	Number of education campaigns implemented	All	1

Table 61: Services Delivery Priorities for 2012/13 - Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality

PROMOTE THE EQUITABLE CREATION AND DISTRIBUTION OF WEALTH IN THE EMTHANJENI MUNICIPAL AREA

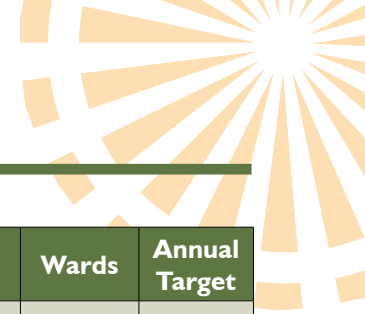
REF	KPI	Unit of Measurement	Wards	Annual Target
TLI5	Decrease substance abuse and crime through public awareness campaigns regarding substance abuse and crime	Number of campaigns	All	1
TLI6	Implement gender development programmes	Number of programs	All	1
TLI7	Commemoration of Youth Day	Youth day	All	1
TLI8	Implement youth development programs	Number of programs	All	3
TLI0	Implement initiatives within the LED strategy by the end of June 2013	Number of initiatives implemented	All	2
TLI1	Assist entrepreneurs to become co-operatives	Number of entrepreneurs	All	2

REF	KPI	Unit of Measurement	Wards	Annual Target
TL12	Supply chain workshops held for SMME's	Number of workshops	All	2
TL13	Improved skills development for local economic development	Number of workshops organised	All	2
TL14	Submit a business plan for Tourism by the end of June 2013	% completed	All	100%
TL51	Jobs opportunities created through EPWP initiatives including capital projects	Number of opportunities	All	150
TL52	Implement ward projects	Number of projects	All	7
TL102	Luring of investors into the municipal area	Number of initiatives	All	1

Table 62: Service Delivery Priorities for 2012/13 - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

PROVISION OF ACCESS TO ALL BASIC SERVICES RENDERED TO RESIDENTS WITHIN AVAILABLE RESOURCES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL53	Approve building plans within 1 month after payment has been received and after receipt of all outstanding information	% approved within 1 month	All	95%
TL54	Provide services for new housing sites	Number of serviced sites	All	200
TL55	Implement the Water Conservation and Water Demand Management project funded by DWA	% of approved funding spent	All	100
TL56	Maintain water assets with the approved maintenance budget	% of maintenance budget of water spent	All	95%
TL57	Plan new boreholes for De Aar with the facilitating of approval from Department of Water Affairs	Approval facilitated by June 2013	All	100%
TL58	Limit unaccounted water	% of water unaccounted for	All	19.50%
TL59	Water quality as per blue drop	% water quality level	All	70%
TL60	Households with piped water inside dwelling	Number of households	All	4,885
TL61	Households with piped water inside yard	Number of households	All	2,967
TL62	Households using public tap	Number of households	All	189
TL63	Provide households with new water connections	Number of households	All	115
TL64	Upgrade De Aar Waste Water Treatment Works	% of grant funding spent	All	80%
TL65	Upgrade UDS sanitation system to full waterborne in Hanover	Approved business plan	All	100%
TL66	Upgrade UDS sanitation system to full waterborne in Britstown	Approved business plan	All	100%
TL67	Maintain sanitation assets	% of maintenance budget of sanitation spent	All	95%
TL68	Quality of waste water discharge measured in terms of Green Drop	% water quality level of waste water discharge	All	20%



REF	KPI	Unit of Measurement	Wards	Annual Target
TL69	Households with flush toilet connected to sewerage distribution network	Number of households	All	6,163
TL70	Households with flush toilet with septic tank	Number of households	All	1,023
TL71	Households with ventilated pit toilet	Number of households	All	14
TL72	Households with other toilet provisions	Number of households	All	681
TL73	Households with bucket toilet	Number of households	All	536
TL74	Households provided with new sanitation connections	Number of households	All	115
TL75	Provide new tar roads	Number of kilometres	All	1
TL76	Maintain municipal roads	% of maintenance of roads spent	All	90%
TL77	Reseal existing tar roads	Number of kilometres	All	1
TL78	Remove waste weekly as per schedules	% implementation of schedules	All	95%
TL79	Households with refuse removed at least once a week	Number of households	All	8,041
TL80	Upgrade the storm water system in municipal area	% completion	All	100%
TL81	Maintain storm water assets	% of maintenance budget of storm water spent	All	95%
TL82	Develop a business plan and submit to Council for approval of Phase 2 of the storm water project	% completion	All	100%
TL83	Manage the electrical provisioning system to limit losses	% of electricity unaccounted for	All	22%
TL84	Completion of high voltage connection to new hospital	% completed	All	100%
TL85	Develop a Sewerage Master plan and submit to Council for approval	% completed	All	100%
TL86	Households with at least minimum service level electricity	Number of households	All	8,041
TL87	Replace street light bulbs within 10 working days after reporting	% within 10 working days	All	80%
TL88	Construct the new cemetery in Britstown	% spent of approved capital budget	All	100%
TL89	Investigate a new cemetery for De Aar and submit report with recommendations to Council	% completed	All	100%
TL90	Maintain parks, recreational facilities and swimming pools	% of maintenance budget spent	All	95%
TL91	Investigate and reports on maintenance of community halls and submit quarterly inspection reports	Number of reports	All	4
TL92	Implement a vehicle tracking system	Tracking system	All	80%
TL93	Implement the vehicle policy with monthly inspection of vehicles and submitting of inspection reports	Number of reports	All	12

Table 63: Service Delivery Priorities for 2012/13 - Provision of access to all basic services rendered to residents within available resources

VII) OVERVIEW OF PERFORMANCE PER WARD

Ward 1: Louisville, Montana, Kareeville, Sunrise (Portion)

Capital Projects				
No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	Rehabilitation Main Storm Water Channel	1 June 2012	30 June 2012	R125
<i>The above analysis includes only largest capital projects of the ward</i>				

Table 64: Capital projects of Louisville, Montana, Kareeville, Sunrise (Portion) – Ward 1

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	956	956	956	956	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	956	956	956	956	
Houses completed in year					0
Shortfall in Housing units					636
<i>*Including informal settlements</i>					

Table 65: Basic Service Provision Ward name and number

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
2	Housing Backlog	Master plan completed, wait for funds.
3	Tarring of gravel roads	Business plan submitted for MIG funding. Approval waited.
4	Improvement of Sewage Purification	Approval of project received and project will be completed during 2012/2013 financial year.

Table 66: Top four service delivery priorities for Ward name and number

Ward 2: Leeuwenshof, Residensia, New bright, Happy Valley, Extension 20, Klein Kareeville, and Extension 7 Capital Projects

No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	New Main Storm Water Channel	Jan.2012	Jun.2012	5000
<i>The above analysis includes only largest capital projects of the ward</i>				

Table 67: Capital projects of Leeuwenshof, Residensia, New bright, Happy Valley, Extension 20, Klein Kareeville, Extension 7 – Ward 2



Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	1240	1240	1240	1240	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	1240	1240	1240	1240	
Houses completed in year					0
Shortfall in Housing units					343
<i>*Including informal settlements</i>					

Table 68: Basic Service Provision Ward name and number

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Housing Backlog	Funding for the building of 61 houses has been allocated and construction has commenced.
2	Tarring of gravel roads	Business plan submitted for MIG funding. Approval waited.
3	Storm water problem following rain	50m main storm water channel completed. Main storm water project has commenced and 100% completed
4	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
5	Improvement of Sewage Purification	Approval of project received and project will be completed during 2012/2013 financial year.

Table 69: Top four service delivery priorities for Ward name and number

Ward 3: Nonzwakazi, Portion of Waterdal

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	1227	1227	1227	1227	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	1227	1227	1227	1227	
Houses completed in year					0
Shortfall in Housing units					784
<i>*Including informal settlements</i>					

Table 70: Basic Service Provision Nonzwakazi, Portion of Waterdal – Ward 3

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Housing backlog	Master plan completed, wait for funds
2	Tarring of gravel roads	Business plan submitted for MIG funding. Approval waited.
3	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
4	Improvement of Sewage Purification	Approval of project received and project will be completed during 2012/2013 financial year.

Table 71: Top four service delivery priorities for Ward name and number

Ward 4: Barcelona, Malay camp, Portion of Nonzwakazi and Macarena

Capital Projects				
No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	New Main Storm Water Channel	Jan 2012	Jun 2012	5100
<i>The above analysis includes only largest capital projects of the ward</i>				

Table 72: Capital projects of Barcelona, Malay camp, Portion of Nonzwakazi and Macarena – Ward 4

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	1026	1026	1026	1026	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	1026	1026	1026	1026	
Houses completed in year					0
Shortfall in Housing units					451
<i>*Including informal settlements</i>					

Table 73: Basic Service Provision Ward name and number

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Housing backlog	Master plan completed, wait for funds.
2	Tarring of gravel roads	Business plan submitted for MIG funding. Approval waited.
3	Storm water problem following rain	500m main storm water channel completed. Main storm water project has commenced and 70% has been completed
4	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
5	Improvement of Sewage Purification	Approval of project received and project will be completed during 2012/2013 financial year.

Table 74: Top four service delivery priorities for Ward name and number**Ward 5: Town Area**

Capital Projects				
No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	Reseal Leosingel, De Aar 1km	Feb.2012	Jun.2012	252
<i>The above analysis includes only largest capital projects of the ward</i>				

Table 75: Capital projects of Town Area – Ward 5



Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	1265	1265	1265	1265	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	1265	1265	1265	1265	
Houses completed in year					0
Shortfall in Housing units					213
*Including informal settlements					

Table 76: Basic Service Provision Ward name and number

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Housing backlog	Funding for the building of 9 houses has been allocated and construction has commenced.
2	Tarring of gravel roads	Application for funding to tar Louw Street has been submitted to EPWP.
3	Resealing of tarred streets and repair of potholes.	1km tarred streets were resealed during the past financial year and potholes are regularly repaired. Temporary workers appointed to speed up repairing of potholes.
4	Maintenance of Pavements (Sidewalks)	Pavements are continuously maintained and temporary workers were used to clean up pavements on a more regular basis.
5	Storm water problem following rain	Temporary workers were used to clear storm water pipes and channels.
6	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
7	Improvement of Sewage Purification	Approval of project received and project will be completed during 2012/2013 financial year.

Table 77: Top four service delivery priorities for Ward name and number

Ward 6: Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)

Capital Projects				
No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	Tarring Cradock street Hanover 0,960m	Jan 2012	Jun 2012	2 310
2	Main Sewer line Tornadoville 300m	Nov 2011	Jun 2012	209
3	Reseal Kwezi street	Feb 2012	Mar 2012	54
<i>The above analysis includes only largest capital projects of the ward</i>				

Table 78: Capital projects of Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town) – Ward 6

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	930	930	930	930	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	930	930	930	930	
Houses completed in year					0
Shortfall in Housing units					901
*Including informal settlements					

Table 79: Basic Service Provision Ward name and number

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Upgrading of dry sanitation (UDS toilets) to full waterborne sewerage.	Municipality built a sewer pipeline of 300m and 7 toilets from own funds. Business plan for the phasing out of dry sanitation submitted for MIG funding.
2	Housing Backlog	Funding for the building of 45 houses has been allocated and construction has commenced. Funding for planning 450 houses has been allocated and surveying of the erven has been completed.
3	Water quality	Application for funding to improve water quality has been submitted to DWA and funding has been approved for implementation in the 2012/2013 financial year.
4	Tarring of gravel roads	0,960km road tarred from own funds during 2011/2012 financial year.(Cradock street)
5	Resealing of tarred streets and repair of potholes.	0,350km tarred streets were resealed during the past financial year and potholes are regularly repaired. Temporary workers appointed to speed up repairing of potholes.
6	Littering	Informal refuse dumping was removed on regular basis

Table 80: Top four service delivery priorities for Ward name and number

Ward 7: Jansenville, Mziwabantu, Britstown(town), and Proteaville

Capital Projects				
No.	Project Name and detail	Start Date	End Date	Total Value R'000
1	Kerbing Buitekant street Britstown	Aug 2011	Mar 2012	116
2	Completion of Public Toilets	Nov 2011	Apr 2012	15
3	Speed hump	Aug 2011	Sept 2011	20

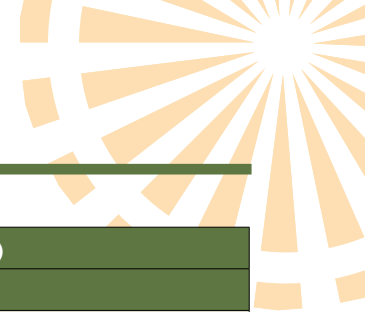
The above analysis includes only largest capital projects of the ward

Table 81: Capital projects of Jansenville, Mziwabantu, Britstown(town), Proteaville – Ward 7

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	998	998	998	998	See below
Households without minimum service delivery	0	0	0	0	
Total Households*	998	998	998	998	
Houses completed in year					0
Shortfall in Housing units					786

**Including informal settlements*

Table 82: Basic Service Provision Ward name and number



Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2011/12
1	Upgrading of dry sanitation (UDS toilets) to full waterborne sewerage.	Business plan for the phasing out of dry sanitation submitted for MIG funding.
2	Housing Backlog	Built one house out of own funds. Master plan completed, waits for funds.
3	Tarring of gravel roads	Business plan submitted for MIG funding. Approval waited. Kerbing of Buitekant street in Britstown.

Table 83: Top four service delivery priorities for Ward name and number

VIII) PERFORMANCE HIGHLIGHTS PER DIRECTORATE/FUNCTIONAL AREA

Directorate/ Functional area	Sub Directorate	Highlights
Infrastructure and Housing Services	Electro Technical Services	Deliver high quality service
	Housing	Received accreditation level I
	Building Control	Building plans approved in accordance with legal requirements.
	Sanitation	Refuse removal done regularly and littering cleared regularly.
	Streets, Buildings and Parks	During the past financial year 1km new streets were tarred from own funds and 1,3km streets were resealed.
	Water Works	Water leakages are repaired speedily to limit losses.

Table 84: Performance highlights per directorate/functional area

IX) CHALLENGES PER DIRECTORATE/FUNCTIONAL AREA

Directorate/ Functional area	Sub Directorate	Challenges and Corrective measures
Infrastructure and Housing Services	Electro Technical Services	Appointment of a Manager Electro-Technical services. Extending and Upgrading main networks.
	Housing	Insufficient funding to address housing backlog. Slow progress with implementation of housing projects.
	Building Control	Computerised building plan system.
	Mechanical Services	Training of staff in new vehicle technology.
	Sanitation	Upgrading of dry sanitation (UDS) Sewerage system to full waterborne sewerage in Hanover and Britstown.
	Streets, Buildings and Parks	Numerous gravel roads still have to be tarred. Re-graveling done regularly.
		Currently used own funds to tar and reseal streets.
		High backlog for resealing of tarred roads.
	Water Works	Disinfecting of potable water.
Funds have been obtained to disinfect water.		

Table 85: Performance Challenges per directorate/functional area

COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

A) BASIC SERVICES DELIVERY CHALLENGES

Description	Actions to address
The municipality has in the past installed dry sanitation toilets (UDS) in Britstown and Hanover but these have been the source of much dissatisfaction among the residents. Britstown has by far the largest problem where the dry sanitation has been installed but rejected by the community who has reverted to the use of buckets.	Application for additional funding from other spheres of government
At present 65% of all roads are still gravel roads and major problems are experienced with dust and stormwater problems.	
The tarred roads are in urgent need of resealing and problems are experienced with potholes especially after rain. During the past year potholes were repair on a regular basis.	
Although the municipality tries to prevent illegal dumping by providing facilities around the towns for the disposal of waste the dumping of waste on public or private properties still occurs.	
Electricity and sewerage master plans. Master plans are very important to provide guidance and direction for future extensions, network upgrading and application for funding.	
Upgrading of electrical networks in De Aar East, Nonzwakazi and Britstown.	
Improving the potable water quality to "Blue drop" standards.	

Table 86: Basic Services Delivery Challenges

B) NATIONAL KEY PERFORMANCE INDICATORS – BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the following two National Key Performance Areas: Basic Service Delivery and Local Economic Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
Basic Service Delivery		
The number of households earning less than R 1 100 per month with access to free basic services	100	100
The percentage of households with access to basic level of water	100	100
The percentage of households with access to basic level of sanitation	100	100
The percentage of households with access to basic level of electricity	100	100
The percentage of households with access to basic level of solid waste removal	100	100
Local economic development		
The number of jobs created through municipality's local economic development initiatives including capital projects	242	169

Table 87: National KPIs – Basic Service Delivery and Local Economic Development

Note: The percentages in the table above shows percentages of erven within the urban edge areas.



3.1 WATER PROVISION

Emthanjeni is totally dependent on ground water (boreholes) and the effective and sustainable management thereof in order to provide a cost effective water supply is of the greatest importance to the Municipality.

The supply of water from the Orange River (100 km from De Aar) is a high priority for the council and further studies have been undertaken during the past year. As a result of the high cost of the implementation the development of further boreholes is envisaged.

The WCWDM strategies are aimed at limiting water losses in order to keep the cost of water at affordable levels. On site water losses over which the Municipality has no control, poses a major challenge and will receive attention in future. The water losses in the past year were 16,85% compared to 19,55% in the previous year.

All residents have access to basic water services and the first 6kl of water is supplied free of charge to all households. The Water Master Plan makes provision for all possible future developments as well as the phasing out of the housing backlog of 4114 houses.

Total Use of Water by Sector (cubic meters)					
Financial Year	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2010/11	0	0	26 529	1 966 652	484 383
2011/12	0	0	23 718	2 341 441	479 141

Table 88: Total use of water by sector (cubic meters)

Water is probably the most fundamental and indispensable of natural resources – fundamental to life, the environment, food production, hygiene and power generation. Poverty reduction and improved water management are inextricably linked. Section 4B of the Constitution lists water and sanitation services limited to potable water supply systems and domestic wastewater and sewerage disposal systems as a local government function. Basic water is defined as 25 litres of potable water per day supplied within 200 meters of a household.

3.1.1 WATER SERVICE DELIVERY LEVELS

Water losses improved from **19.5%** in the 2010/11 financial year to **16.8%** in the 2011/12 financial year. This shows an improvement of **2.7%** on water losses.

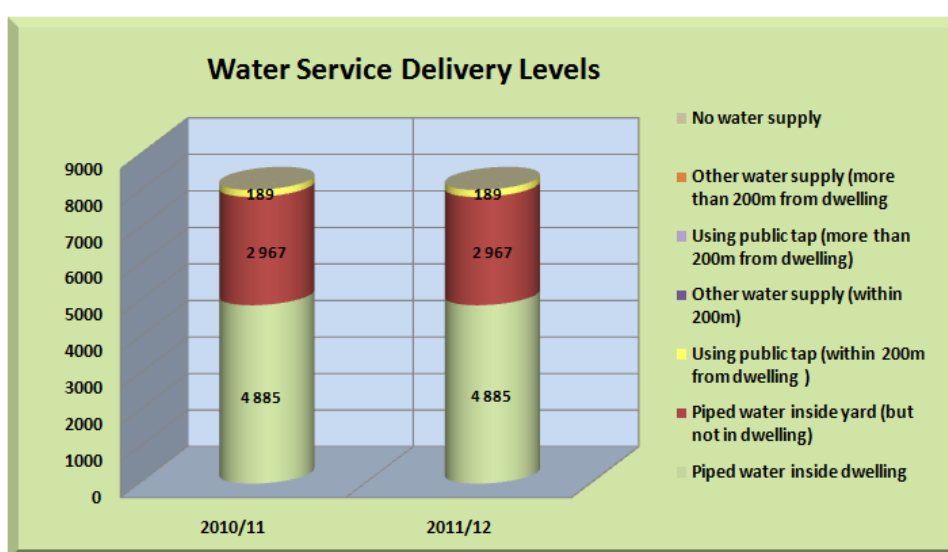
Below is a table that specifies the different water service delivery levels per households for the financial years 2010/11 and 2011/12:

Description	2010/11	2011/12
	Actual	Actual
Household		
Water: (above minimum level)		
Piped water inside dwelling	4 885	4 885
Piped water inside yard (but not in dwelling)	2 967	2 967
Using public tap (within 200m from dwelling)	189	189
Other water supply (within 200m)	0	0
Minimum Service Level and Above Sub-total	8 041	8 041
Minimum Service Level and Above Percentage	100	100

Description	2010/11	2011/12
	Actual	Actual
Water: (below minimum level)		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
Below Minimum Service Level Sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households (formal and informal)	8 041	8 041

Table 89: Water service delivery levels

The graph below shows the different water service delivery levels per total households and the progress per year:



Graph 13: Water Service Delivery Levels

3.1.2 CAPITAL EXPENDITURE – WATER SERVICES

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Britstown Bulk Water Supply	2700	2700	1817	883	12335

Table 90: Capital Expenditure 2011/12: Water Services

3.2 WASTE WATER (SANITATION) PROVISION

Various types of sanitation are currently provided: full waterborne sewerage, flushing toilets with vacuum tanks, dry sanitation (UDS toilets) and buckets in cases where residents have rejected the dry sanitation.

The biggest challenge currently is the upgrading of the dry sanitation (buckets) to full waterborne sewerage. Business plans for funding have already been submitted but approval is still awaited.

The De Aar purification works have to be upgraded urgently and project approval has been obtained from MIG during the past year.



The upgrading will occur during 2012/2013.

The Municipality has a team for cleaning drains and block drains in the network are attended too quickly. On-site drain blockages which constitute health risks are cleared free of charge for indigent households.

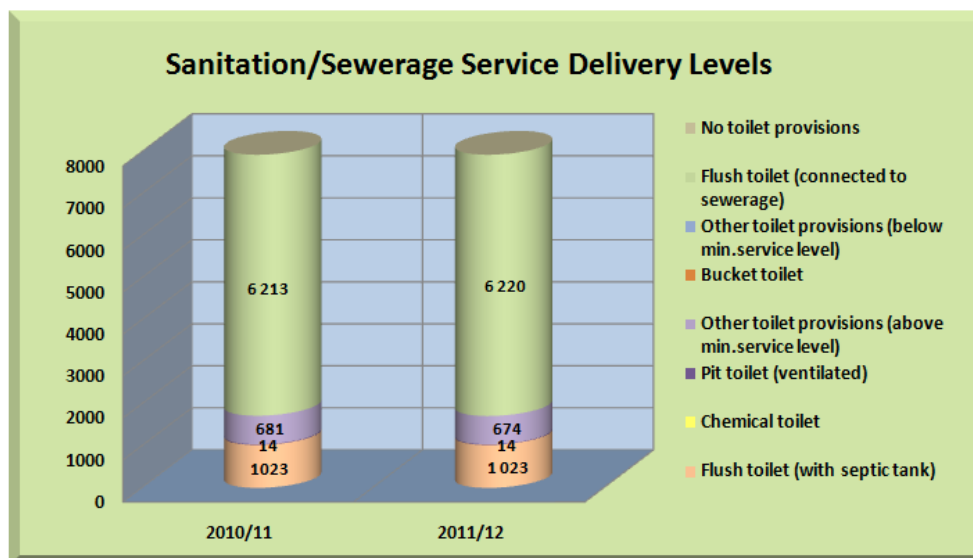
3.2.1 SANITATION SERVICE DELIVERY LEVELS

Below are a table that specifies the different sanitation service delivery levels per households within the urban edge area for the financial years 2010/11 and 2011/12:

Description	2010/11	2011/12
	Actual	Actual
Household		
Sanitation/sewerage: (above minimum level)		
Flush toilet (connected to sewerage)	6 213	6 220
Flush toilet (with septic tank)	1023	1 023
Chemical toilet	0	0
Pit toilet (ventilated)	14	14
Other toilet provisions (above minimum service level)	681	674
Minimum Service Level and Above Sub-total	7 931	7 931
Minimum Service Level and Above Percentage	100	100
Sanitation/sewerage: (below minimum level)		
Bucket toilet	0	0
Other toilet provisions (below minimum service level)	0	0
No toilet provisions	0	0
Below Minimum Service Level Sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	7 931	7 931

Table 91: Sanitation service delivery levels

The graph below shows the different sanitation service delivery levels per total households and the progress per year:



Graph 14: Sanitation/Sewerage Service Delivery Levels

3.2.2 CAPITAL EXPENDITURE – SANITATION SERVICES

Capital Projects	2011/12				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
R'000					
Main Sewer line	190	190	190	0	190

Table 92: Capital Expenditure 2011/12: Sanitation Services

The only capital project during the past year was the construction of a 300m main sewer to speed up the phasing out of dry sanitation and provision of full waterborne sewerage in Hanover. The project was financed from own sources. The phasing out of dry sanitation is incorporated in the 5 year IDP and can only be addressed from external funding. A business plan has already been submitted for MIG approval.

3.3 ELECTRICITY

At present there is no backlog in the provision of electricity to households. The biggest challenge currently is the portion of Hanover where Eskom is the supplier. Council has initiated a process to ascertain whether it would be possible to take over this area from Eskom in order to have a uniform system in place.

Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support. The table below indicates the different service delivery level standards for electricity in all formal areas within the Municipality:

The Energy Losses for the 2010/11 financial year was **21.24%** whilst the losses in the 2010/2011 financial year were only **21%**. This outcome gives an end result of **0.24%** reduction in energy losses that is a huge achievement for the Municipality.

The table below indicates the different service delivery level standards for electricity within the urban edge area of the Municipality:

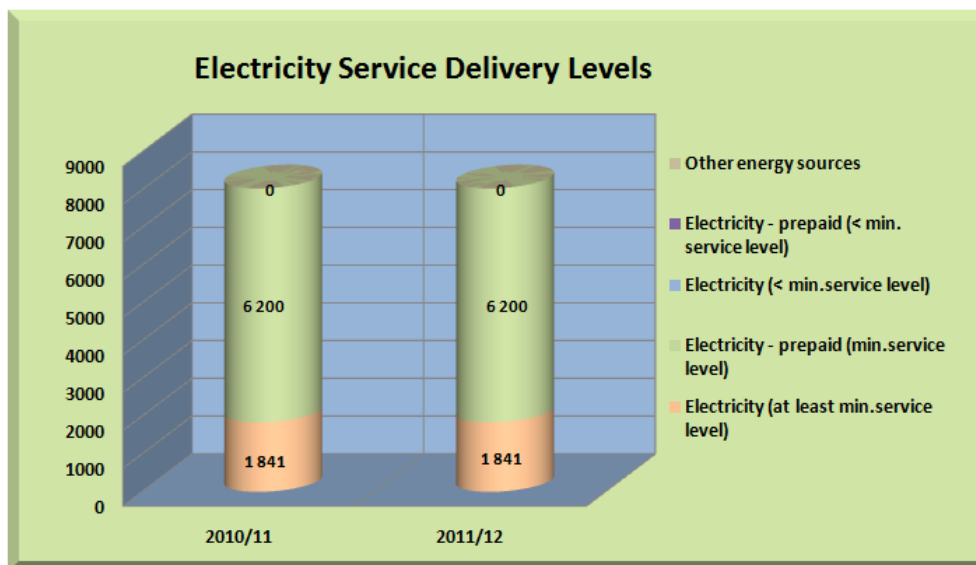
3.3.1 ELECTRICITY SERVICE DELIVERY LEVELS

Description	2010/11	2011/12
	Actual	Actual
Household		
Energy: (above minimum level)		
Electricity (at least minimum service level)	1 841	1 841
Electricity - prepaid (minimum service level)	6 200	6 200
Minimum Service Level and Above Sub-total	8 041	8 041
Minimum Service Level and Above Percentage	100	100
Energy: (below minimum level)		
Electricity (< minimum service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
Below Minimum Service Level Sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	8 041	8 041

Table 93: Electricity Service Delivery Levels



The graph below shows the different electricity service delivery levels per total households and the progress per year:



Graph 15: Electricity Service Delivery Levels

3.4 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Domestic refuse is currently removed on a weekly basis in all residential areas of Emthanjeni. Informal dumping (littering) remains a major challenge but all areas are regularly cleaned up. Various areas have street cleaners who clear the littering on a daily basis.

Three recycling concerns in De Aar make a major contribution to recycling.

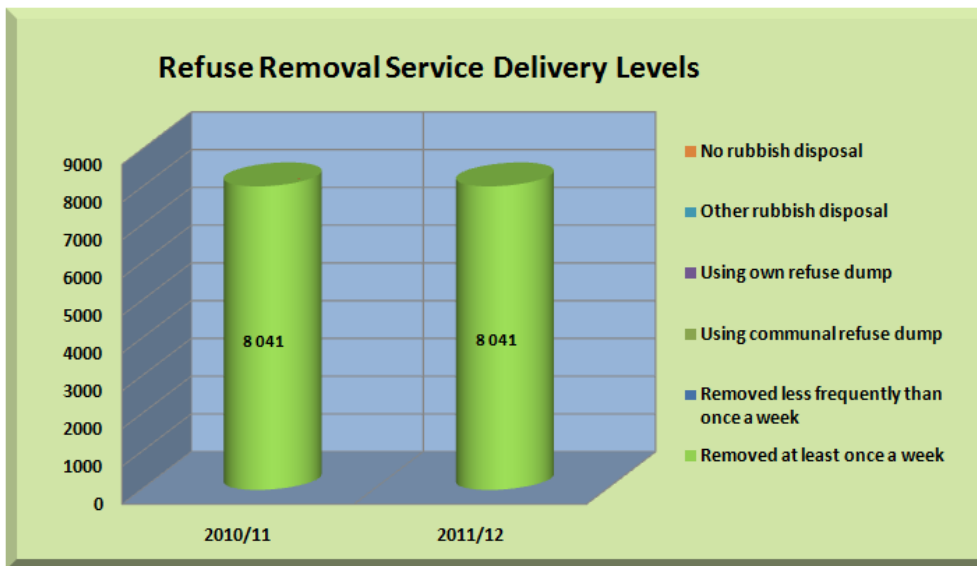
3.4.1 REFUSE REMOVAL (SOLID WASTE) SERVICE DELIVERY LEVELS

The table below indicates the different refuse removal service delivery level standards **within the urban edge area** of the Municipality:

Description	2010/11	2011/12
	Outcome	Actual
Household		
Refuse Removal: (Minimum level)		
Removed at least once a week	8 041	8 041
Minimum Service Level and Above Sub-total	8 041	8 041
Minimum Service Level and Above Percentage	100	100
Refuse Removal: (Below minimum level)		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
Below Minimum Service Level Sub-total	0	0
Below Minimum Service Level percentage	0	0
Total number of households	8 041	8 041

Table 94: Refuse removal service delivery levels

The graph below shows the different refuse removal service delivery levels per total households and the progress per year:



Graph 16: Refuse Removal Service Delivery Levels

COMPONENT B: ROAD TRANSPORT

3.5 ROADS

At present 64% of all municipal streets are still gravel roads which cause a great deal of inconvenience following rain and during strong wind. During the past year the municipality tarred 1.0 km new streets from own funds. A business plan for the tarring of main roads has been completed and submitted for approval and funding.

The following tables give an overview of the total kilometres of roads maintained and new roads tarred:

3.5.1 TARRED (ASPHALTED) ROADS

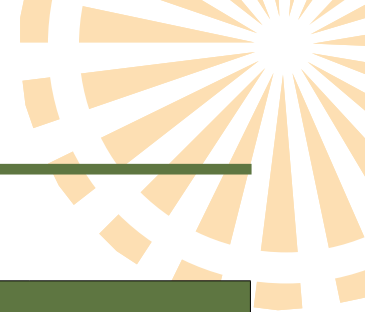
Financial year	Total km tarred roads	Km of new tar roads	Km existing tar roads re-tarred	Km of existing tar roads resheeted	Km tar roads maintained
2010/11	73.42	0	0.15	2.065	72.40
2011/12	74.42	1.00	0	1.00	73.42

Table 95: Tarred (Asphalted) roads

3.5.2 GRAVELLED ROADS

Financial year	Total km gravel roads	Km new gravel roads constructed	Km gravel roads upgraded to tar	Km gravel roads graded/maintained
2010/11	131	0	1.02	129.98
2011/12	130	0	1.00	129.00

Table 96: Gravelled roads



3.5.3 CAPITAL EXPENDITURE – ROAD SERVICES

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value R'000
Tarring Cradock street	2050	2050	2310	260	2310
Tarring Kort street	115	115	1010	5	391
Tarring Eland street	490	490	441	49	1404

Table 97: Capital Expenditure 2011/12: Road Services

3.6 WASTE WATER (STORM WATER DRAINAGE)

3.6.1 STORM WATER INFRASTRUCTURE

The table below shows the total kilometres of storm water maintained and upgraded as well as the kilometres of new storm water pipes installed:

Financial year	Total km storm water measures	Km new storm water measures	Km storm water measures upgraded	Km storm water measures maintained
2010/11	0	0	0	2.00
2011/12	0	0	1.05	4.075

Table 98: Storm water infrastructure

3.6.2 CAPITAL EXPENDITURE – STORM WATER SERVICES

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Stormwater project Phase I	12877	12877	10100	2777	20000

Table 99: Capital Expenditure 2011/12: Storm Water Services

3.6.3 COST OF CONSTRUCTION/MAINTENANCE

The table below indicates the amount of money spend on storm water projects:

Financial year	Stormwater Measures		
	New R'000	Upgraded R'000	Maintained R'000
2010/11	0	0	350 000
2011/12	0	214	214

Table 100: Cost of construction/maintenance of storm water systems

3.7 HOUSING

As Emthanjeni Municipality we commit ourselves to a humane and caring society, living in a healthy and secure environment, conducive to sustainable economic development.

Emthanjeni Municipality's Housing Division seeks to effectively address their housing need. This forms part of an ongoing strategy to provide an effective service delivery model for housing within the Emthanjeni municipal area.

The current status and capacity of the Housing Division was evaluated in terms of the Municipal Accreditation Guidelines of March 2006 as well as the current operations in the Provincial Housing Department.

A 5 Year Housing Plan and Bulk Infrastructure Plan of Emthanjeni Municipality was compiled. This 5 year plan addresses the waiting list and also the need to eradicate the entire housing backlog for its municipal jurisdiction. It is an all-encompassing plan that even deals with rental stock and the new Social housing programme that was launch by the National Human Settlements Department some few years ago. The framework for this settlement plan embodies the principle as set out in the document: Breaking New Ground: Housing Policy for the Development of Sustainable Housing.

3.7.1 HOUSEHOLDS WITH ACCESS TO BASIC HOUSING

Year end	Total households (including formal and informal settlements)	Households in formal settlements	Percentage of households in formal settlements
2010/11	11412	11412	97%
2011/12	11 748	11 748	97%

Table 101: Households with access to basic housing

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately **4 114** housing units on the waiting list.

Financial year	Nr of housing units on waiting list	% Housing waiting list increase
2009/10	3 041	-
2010/11	3 550	16.4
2011/12	4 114	16.0

Table 102: Housing waiting list

3.7.2 CAPITAL EXPENDITURE – HOUSING

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Total All	7 741	-	1 963	5 779	7 741
Hanover 45	2 827	-	1 435	1 392	2 827
De Aar 9	561	-	17	544	561
De Aar 61	3 676	-	30	3 645	3 676
Hanover 450	678	-	481	197	678

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

Table 103: Capital Expenditure 2011/12: Housing

A total amount of **R7 741 322.00** was allocated to build houses and to service sites during the financial year under review. A summary of houses built and sites serviced includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
2010/11	R11 021 882.13	R11 021 882.13	100%	165	165
2011/12	R7 741 322.00	R1 962 632.50	25%	0	0

Table 104: Housing

**COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:**

Emthanjeni Municipality has shown and demonstrated capacity to administer different National Housing Programme at its municipal sphere. An extensive planning exercise was recently concluded to determine the total current housing backlog and estimation to the total bulk services current carrying capacity. The information that is reported on in Emthanjeni's latest Housing Sector Plan enables the Municipality to plan the implementation of a range of their development functions on a coordinated basis.

All allocated funds for the construction of houses in Hanover, Silverton, Pampoene and Rectification of Houses in Britstown have been utilized.

The 115 Housing Project, 45 Hanover and 70 in De Aar are now in progress and will be completed by end of November 2012.

All Housing Grants allocated for specific purposes will be spent.

All budgeted Capital and Operating funds allocated for housing expenditure for 2009/2010, 2010/2011 were fully spent (100%).

PRIORITY OF THE FOUR LARGEST CAPITAL PROJECTS

In order to eradicate the entire current housing backlog:

115 beneficiaries will be accommodated on the current running Hanover 45, De Aar 9 and De Aar 61 projects which are in progress.

There are a further 457 sites that are already planned in De Aar and just need to be serviced.

Planning and rezoning of 450 sites has been done and submitted to the Surveyor General; these sites now need to be serviced.

Based on the SDF and interaction with the Technical Staff, land and develop 900 sites has been earmarked in Britstown, 500 additional sites in Hanover and land for 1900 erven in De Aar. These 3300 sites have to be planned and rezoned from Greenfields.

Emthanjeni's IDP, just like all other IDP's, is meant to ensure that departments within national and provincial government, as well as municipalities, function in concert in the execution of their tasks and delivery of services to communities. Housing and / or Human Settlement Management is, one of the important functions of these three spheres of government. The housing sector plan as a component of the IDP is aimed at clarifying and providing strategy with respect to the manner in which housing development and comprehensive human settlement can be achieved at the local level.

The Emthanjeni Local Municipality has 4114 families without adequate tenure. Some 3999 of these 4114 families don't have access to proclaimed erven and services. To address this backlog effectively, the Municipality needs to deliver approximately 1029 housing units per annum over the next four (4) year period. Creating of sustainable human settlements and the provision of housing to families is a very dynamic function. It is proven, even countrywide, that the need for housing units (in whatever form) will always be there. We therefore highlight that these 4114 housing units are just to eradicate the backlog and subsequent current need. Our Housing Sector Plan respects the fact that the government will not be able to construct 1029 houses per year in ONE local municipality and have therefore spread it out beyond the MTEF period to a four year period.

Our challenges are that the budget allocated for the eradication of the housing backlog is not sufficient to address the ever increasing housing backlog.

The availability of BULK material supplies and the cost of transportation from major centres (like Kimberley).

The variance calculation, using De Aar as a major centre when all of the material is sourced from out of town and the items that are sourced locally already have the distance factor worked into the price.

3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

Emthanjeni Municipality provides 6000 litres of water to all consumers irrespective of their economic status. Consumers are only charged from the 7th kilolitre of water consumed.

The Indigent Household policy states that any Household can apply for the Free Basic Services if their total monthly household income is or less than R2 300.00. Such consumers must apply by completing the prescribed form accompanied by proof of income. These applications are assessed by the Ward Committee under the leadership of the Ward Councillor, who will make recommendations to the Municipal Manager or Chief Financial Officer.

The Free Basic Services are provided on a monthly basis and include the following:

- 50 kWh units of Electricity
- 6000 litres of Water
- Monthly Sewerage or Sanitation
- Refuse Removal

Indigent Households are also assisted by the Rates Policy who provides for an additional rebate of R3 000 to the property valuations

3.8.1 ACCESS TO FREE BASIC SERVICES

The access to free basic services is summarised into the different services as specified in the following table:

Free Basic Services To Low Income Households									
Financial year	Number of households (HH)								
	Total no. of HH	Households earning less than R 2 700 per month							
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Access	%	Access	%	Access	%	Access	%
2010/11	12 400	7 877	64	2 333	18	2 333	19	2 333	19
2011/12	12 500	8 340	67	2 733	22	2 733	22	2 733	22

Table 105: Access to free basic services

Indigent’s subsidy applications are renewed annually. These forms must reach the Credit Control Unit by no later than September. The municipality also assist Indigent Households by replacing the conventional electricity meters with prepaid electricity meters upon approval of their status. The Free Basic Services that are provided to Indigent Households on a monthly basis is financed from the Equitable Share Grant.

The following table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than R 2 300 per month will receive the free basic services as prescribed by national policy.



Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No of HH	Unit per HH (kwh)	Value R'000	No of HH	Unit per HH (kwh)	Value R'000	No of HH	Unit per HH (kwh)	Value R'000
2010/11	2 333	50	742	4 719	0	0	825	50	0
2011/12	2 424	50	1 011	5 607	0	0	309	50	129

Table 106: Free basic Electricity services to indigent households

Water						
Financial year	Indigent Households			Non-indigent households		
	No of HH	Unit per HH (kl)	Value R'000	No of HH	Unit per HH (kl)	Value R'000
2010/11	2 333	6	1 219	5 544	6	0
2011/12	2733	6	1729	5607	6	3547

Table 107: Free basic Water services to indigent households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No of HH	R value per HH	Value R'000	No of HH	Unit per HH per month	Value R'000
2010/11	2 333	110.83	3 103	5544	0	0
2011/12	2733	127.71	4188	5607	0	0

Table 108: Free basic Sanitation services to indigent households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No of HH	Service per HH per week	Value R'000	No of HH	Unit per HH per month	Value R'000
2010/11	2 333	1	1 935	5 544	0	0
2011/12	2733	1	2612	5 607	0	0

Table 109: Free basic Refuse Removal services to indigent households per type of service

COMPONENT C: PLANNING AND DEVELOPMENT

3.9 PLANNING

The table below sets out the three top service delivery priorities and the progress made during the 2011/12 financial year:

Priorities	Progress
Policy review	Finalisation of Integrated Zoning Scheme; Section 4(6) LUPO approval of the SDF (<i>i.e. structure plan approval</i>); Heritage study; and other related planning policy documents.
Proactive law enforcement (<i>town planning, building control & environment</i>)	Appointment of amongst others sufficient staff capacity to proactively handling contraventions/ non-compliance issues.
Reliable and accurate GIS database	To develop & maintain an accurate and reliable GIS database to aid speedily decision-making.

Table 110: Three top service delivery priorities

The table below enclose additional performance regarding planning of the municipality:

Type of service	2010/11	2011/12
Building plans application processed	210	77
Total surface (m2)	9 406	5 987
Approximate value	13 976 256	9 993 967
New residential dwellings	170	0
Residential extensions	39	66
New Business buildings	0	3
Business extensions	0	2
Land use applications processed	5	12

Table III: Additional Performance: Planning

The biggest planning project during the past year was that of 450 erven in Hanover. The planning has been completed and the surveying of the erven has also been done.

The Municipality was also involved in various private developments in the course of which support was provided as well as taking care of the land use planning.

3.10 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Local Economic Development (LED) includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues.

The LED strategy identifies various issues and strategic areas for intervention such as (3 top service delivery priorities):

Objectives	Strategies
The unlocking of the potential of Emthanjeni to achieve growth & development	Utilization of local expertise e.g. business people and technocrats to assist in broadening the economic base
Creating an environment in which the overall economic and social conditions of the Emthanjeni Municipality can be conducive to growth and development	The implementation and facilitation of an Integrated LED & Marketing Strategy
Installation of the job creation & job preservation desk	<ul style="list-style-type: none"> • Preservation of all present jobs in Emthanjeni • Keeping of employment/retrenchment information (data) on all employers and potential employers
Internalize the economy of Emthanjeni	<ul style="list-style-type: none"> • Increasing the trading density of Emthanjeni • Make the economy of Emthanjeni more intimate – more personal

Table 112: LED Objectives and Strategies

LED INITIATIVES

With a limited budget for LED Projects and one official assisting with LED implementation the following has been initiated as set out in the table below and identifies the detail of the various LED initiatives in the municipal area (**Excluding EPWP projects**):



Description of project	No of Jobs created	Total Investment	Amount spent to date	Performance Highlights
Toilet paper plant	8	R180 909.00	R118 560.00	Entity was established Government support committed – SEDA , DTI
Hydroponics plant with Department Agriculture	8	R2.3 M	R2.3M	Department Agriculture funded project, additional funds for 2013/2014
Ostrich Farm	4	R3.8M	R3.8M	Department Agriculture funded project Potential in the industry

Table 113: LED initiatives

EJob creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	#	#
Upgrading and repairs to low cost houses	Revitalization houses	55
Cleaning of streets, open spaces, sport grounds, swimming pools	Cleaning project	27
Tarring of Eland Street, Kort Street and Cradock Street	New Streets	43
Resealing of Leosingle and repairing of potholes	Resealing streets	9
Painting of street names in De Aar	Painting street names	4
Construction of new speed humps	Speed humps	5
Construction of a 300m pipeline and installing of flush toilets	Eradication of dry sanitation	9
MIG project: Storm water project in De Aar	Storm water project	26
Complete 50% of kerbing for new streets	Kerbing Mziwabantu Street	10
MIG project: Development of New boreholes in Britstown	Britstown bulk water supply	18

* - Extended Public Works Programme

Table 114: Job creation through EPWP* projects

3.11 INTEGRATED DEVELOPMENT PLAN (IDP)

The IDP Section focussed on the following functions being:

Community Participation:

The focus on Community Participation relates mainly to the participation of the local community in the planning activities of the municipality which informs the IDP and budget processes.

A schedule of community participation engagements were approved by council, based on the municipal's IDP/Budget Process plan. These engagements were published in the local press for community inputs and information.

Identified Risk: lack of administrative support for community participation; a suggested administrative structure in support of community participation was communicated to relevant authorities for consideration.

Lack of adequate budget to support community participation remains a challenge.

Ward Committees:

The launch of the ward committee election project for the new term proved successful.

21 ward committees were successfully elected via public meetings in all 21 wards.

An introductory induction-workshop for all ward committee members and ward councillors was hosted in collaboration with the Western Cape Provincial Government, Department Local Government, and Community Participation division. Approximately 200 ward committee members from a total of 210 members attended this session.

Follow-up training for ward committees were also initiated, for all wards at different dates in collaboration with the WCPG-Dept Local Govt.

Functionality of Ward Committees: Ward committees currently meet on a regular basis based on a formal meeting schedule adopted and communicated with the IDP office. The IDP office in collaboration with the CDW program currently provides administrative support to ward committee activities. Functionality remains a challenge which we systematically on a continuous basis try and manage to support optimal function of ward committees. A complete ward committee administrative support structure hopes to address some of the functionality challenges.

IDP Function:

The drafting and approval of the 3rd Generation IDP was a challenge for both senior management and the functionary. The Draft 3rd Generation IDP was approved by the end of March 2012 followed by the Final IDP approved at end May 2012 in line with the legislative guidelines, where-after the IDP was communicated to the MEC for Local Government in the WCPG.

The IDP Process Plan Framework for the 2013/2014 IDP Review was initiated in June 2012 for subsequent approval by council as required per legislation.

A definite requirement to support the IDP Section in its totality is a strong organisational structure, supported by a budget to give proper effect to the mandate of the IDP section.

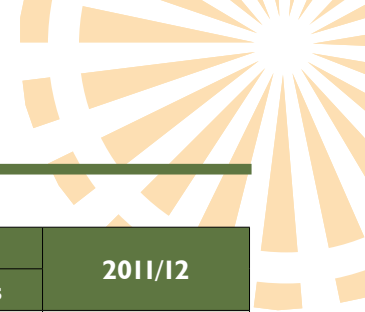
COMPONENT D: COMMUNITY AND SOCIAL SERVICES**3.12 LIBRARIES**

There are 10 libraries scattered throughout the municipal area and they serve all the communities. The main priorities are the following:

- 1) To fulfil as many information needs as possible with the minimum loss of stock
- 2) To reach more members of the community to be part of a reading nation
- 3) To establish and maintain library buildings and equipment of the highest possible standard for the communities to utilize.

SERVICE STATISTICS - LIBRARIES

Type of service	2009/10	2011/12
	Libraries	
Number of Libraries	10	10
Library members	10 686	13 592
Books circulated	12 504	27 810
Exhibitions held	8	119



Type of service	2009/10	2011/12
	Libraries	
Internet users	270	319
New library service points or Wheelie Wagons	0	0
Children programmes	39	44
Visits by school groups	21	88
Book group meetings for adults	12	29
Primary and Secondary Book Education sessions	14	22

Table 115: Libraries Service Statistics

3.13 CEMETERIES AND CREMATORIIUMS

The biggest challenge at present regarding cemeteries is regular weeding and cleaning as well as the combating of vandalism. The Municipality regular employs temporary workers to weed and clean the cemeteries but this is not always enough. Britstown needs a new cemetery and the EIA process was completed during the past year. Construction is due to take place during 2012/13

During the past year no capital projects were undertaken and only maintenance was carried out.

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

SERVICE STATISTICS – CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Type of service	2010/11	2011/12
Child Care; Aged Care; Social Programmes		
Trees planted	270	35
Veggie gardens established	5	0
Soup kitchens established or supported		0
Initiatives to increase awareness on child abuse	1	0
Youngsters educated and empowered	25	25
Initiatives to increase awareness on disability	0	1
Initiatives to increase awareness on women	1	1
Women empowered	1	1
Initiatives to increase awareness on HIV/AIDS	1	1
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	1	1
Special events hosted (World's Aids Day, World Arbour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	1	1

Table 116: Service Statistics: Child Care, Social Programmes

COMPONENT E: SAFETY AND SECURITY

The aim of council is to ensure the safety of all residents and visitors in this municipal area through law enforcement. Currently municipal law enforcement officers work closely with SAPS to combat crime while the traffic law enforcement officers are assisting those agencies. Integrated operations are held to prevent crime increase in this municipal area through proper planning. The willingness of the community to report crime assists the different law enforcement agencies tremendously in the fight against crime.

3.15 TRAFFIC AND LICENSING

Traffic law enforcement is to reduce the number of road accidents annually by 5% and furthermore to ensure a safe traffic flow. The aim is to bring all offenders of traffic violations to book to ensure safe roads. Speed measurements are important due to the fact that 90% of all accidents are caused by speeding. Second serious offence is driving under the influence of liquor due to the fact that the dragger breath alcoholised is not accepted evidence in South African courts. Scholar patrols is established to assist learners to cross roads to schools safely, while regular traffic patrols in residential areas reduce traffic accidents and traffic violations.

3.15.1 SERVICE STATISTICS – TRAFFIC SERVICES

No.	Details	2010/11	2011/12
		Actual No.	Actual No.
1	Number of road traffic accidents during the year	301	296
2	Number of by-law infringements attended	Not recorded	227
3	Number of Traffic officers in the field on an average day	5	6
4	Number of Traffic officers on duty on an average day	10	10
5	Animals impounded	0	0
6	Motor vehicle licenses processed	Not recorded	15 304
7	Learner driver licenses processed	6190	6123
8	R-value of fines collected	R8 107 440	R6 006 180
9	Operational call-outs	Not recorded	Not recorded
10	Roadblocks held	24	30
11	Complaints attended to by Traffic Officers	Not recorded	110
12	Special Functions – Escorts	Not recorded	Not recorded
13	Awareness initiatives on public safety	Not recorded	Not recorded

Table 117: Service Data for Traffic Services

3.16 LICENSING

3.16.1 SERVICE STATISTICS – LICENSING SERVICES

No.	Details	2010/11	2011/12
		Actual No.	Actual No.
5	Animals impounded	0	0
6	Motor vehicle licenses processed	Not recorded	15 304
7	Learner driver licenses processed	6190	6123

Table 118: Service Data for Licensing Services

3.17 FIRE MANAGEMENT

The strive of this section is to save lives and to protect property. Awareness campaigns in informal areas did reduce the number of fires in those areas as well as the restructuring of shacks to ensure that fire fighting vehicles and fire fighter can reach those in need.

Immediate relief to victims of fires and flooding in the form of food parcels , blankets and emergency housing kids



3.17.1 SERVICE STATISTICS – FIRE SERVICES

No.	Details	2010/11	2011/12
		Actual #	Actual #
1	Total fires attended in the year	66	64
2	Total of other incidents attended in the year	0	0
3	Average turnout time - urban areas	15 min	15 min
4	Average turnout time - rural areas	30 + min	30 + min
5	Fire fighters in post at year end	0	0
6	Total fire appliances at year end	1	1
7	Average number of appliance off the road during the year	1	1
8	Total Operational call-outs	0	0
9	Reservists and volunteers trained	19	20
10	Awareness Initiatives on Fire Safety	0	0

Table 119: Service Data for Fire Services

3.17.2 CAPITAL EXPENDITURE – FIRE SERVICES

Capital Projects	2011/12				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
R'000					
Equipment	50	50	0	50	50

Table 120: Capital Expenditure 2011/12: Fire Services

The amount of R 50 00 that was budgeted for was insufficient to purchase those equipment.

The mentioned services did perform well taking in account that this section does have limited resources and temporary staff members. The aim is to prevent the outbreak of fires in informal residential areas and to train those people to deal with those fires and to assist the fire department. The staff budget was not approved by council for the appointing of permanent fire fighting personnel. Technology in the fire fighting services increases the monetary value of budget projects drastically which influence the prices of budgeted items or projects.

3.18 DISASTER MANAGEMENT, ANIMAL LICENSING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER

The challenges regarding disaster management is to assist victims of incidents immediately to provide emergency housing and food parcels when needed. The budget must address those needs. Challenges pertaining animals is the stray dogs that attacked the livestock of farmers and the lack of an animal pound. Law enforcement officers deals with illegal hawkers due to the fact that there is a shortage of legal hawking areas provided by Council. The Municipal By-laws must be amended do address those illegal car watchers and those other nuisances and then the appointing of additional law enforcement officers.

3.18.1 SERVICE STATISTICS – DISASTER MANAGEMENT, ANIMAL LICENSING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC.

Details	2010/11	2011/12
	Actual No.	Actual No.
Stray dogs on farms	5	3
Livestock in residential areas	20	15
Immediate relief to victims	0	0
Emergency housing kids	0	0
Illegal Hawkers	25	5
Illegal Car watchers	5	2
Illegal land invasion	0	0

Table 121: Service Data for DISASTER MANAGEMENT, ANIMAL LICENSING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC.

Please note that we do not have a separate budget for what is included in the above mentioned but we address it a part of the duties of the Peace Officers and Traffic's duties hence we are not able to link a budget to actual outputs.

COMPONENT F: SPORT AND RECREATION

3.19 SPORT GROUNDS/FACILITIES AND SWIMMING POOLS

The highest service level priorities' regarding sport and recreation is (a) regular maintenance (b) affordability and (c) upgrading of sport facilities.

Maintenance is carried out regularly but on account of the large number of sports grounds more staff will have to be employed in future. The organogram has been amended to cater for this.

A business plan for the upgrading of the Central Sports Grounds in De Aar was prepared during the past year.

Informal soccer fields are regularly graded.

Planning for a Skateboard Park in De Aar is well advanced and construction will take in 2012/13.

3.19.1 SERVICE STATISTICS SPORT GROUNDS/FACILITIES AND SWIMMING POOLS

Type of service	2010/11	2011/12
Sport Grounds and Swimming Pools		
Number of Sport Grounds/fields	6	6
Number of Sport Facilities	21	21
Number of Swimming Pools	2	2
Number of Stadiums	4	4
Number of complaints addressed – Sport Grounds/fields	3	3
Number of complaints addressed – Swimming Pools	3	1
Number of complaints addressed – Stadiums	0	0

Table 122: Service Statistics Sport Grounds and Swimming Pools

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE



CHAPTER 4:

ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organisational Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	0	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.26	0.53

Table 123: National KPIs– Municipal Transformation and Organisational Development

4.2 HIGHLIGHTS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Highlight	Description
Skills program (Plumbing)	Unskilled employees get training in the programme
Employee Assistance Program	Implementation of a workable programme to support employees
Upgrading of Security of Library building	Hennie Liebenberg Jnr Library

Table 124: Highlights – Municipal Transformation and Organisational Development

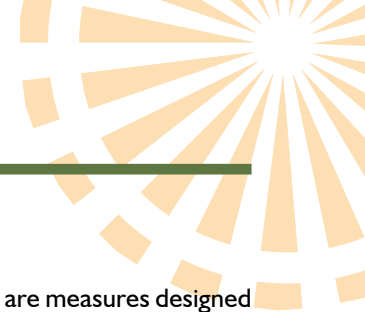
4.3 CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Challenge	Actions to address
To get disabled persons to apply for positions	Include it in the advertisements
To get internal employees into other programmes as the requirements of certain training programmes is very high	To encourage employee to attend to the ABET Classes
Development of a HR Strategy	SALGA National is trying to assist all municipalities to develop a standard Strategy for all municipalities
Attracting Scars Skills	Standardized Head Hunting Policy to be developed by SALGA for all municipalities

Table 125: Challenges – Municipal Transformation and Organisational Development

4.4 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Emthanjeni Municipality currently employs **363** (including non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.



4.4.1 EMPLOYMENT EQUITY

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

EMPLOYMENT EQUITY TARGETS/ACTUAL

Please note that we currently do not have an Employment Equity plan for the years 2010-2015, as stipulated in our challenges. We have appointed an Acting Employment Equity Officer to help us overcome the current challenge.

EMPLOYMENT EQUITY VS. POPULATION

Description	African	Coloured	Indian	White	Total
Population numbers	13 507	21 989	31	2703	38 240
% Population	35	58	0	7	100
Number for positions filled	170	188	0	20	377
Number for positions filled for the 2011/12 financial year	4	6	0	0	10
% for Positions filled	45	50	0	5	100

Table 126: EE population 2011/12

Note: The total population numbers is based on projection done by the Emthanjeni municipality

OCCUPATIONAL CATEGORIES – RACE

Below is a table that indicate the number of employees by race within the specific occupational categories:

Occupational categories	Posts filled								Total
	Male				Female				
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	6	7	0	6	3	3	0	1	26
Professionals	1	0	0	0	3	1	0	1	6
Technicians and associate professionals	6	1	0	5	0	0	0	0	12
Clerks	18	20	0	1	27	26	0	0	92
Service and sales workers	18	20	0	0	27	24	0	0	89
Craft and related trades workers	3	3	0	0	0	0	0	0	6
Plant and machine operators and assemblers	12	11	0	1	0	0	0	0	24
Elementary occupations	35	58	0	3	7	6	0	0	109
Total permanent	99	120	0	16	67	60	0	2	364
Non- permanent	2	3	0	0	6	2	0	0	13
Grand total	101	123	0	16	73	62	0	2	377

Table 127: Occupational Categories

OCCUPATIONAL LEVELS - RACE

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	2	0	1	1	0	0	0	4
Senior management	3	2	0	2	0	0	0	0	7
Professionally qualified and experienced specialists and mid- management	1	0	0	0	3	1	0	1	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	43	41	0	6	56	48	0	1	195
Semi-skilled and discretionary decision making	47	74	0	4	7	6	0	0	138
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total permanent	94	119	0	13	67	55	0	2	350
Non- permanent employees	2	3	0	0	6	2	0	0	13
Grand total	96	122	0	13	73	57	0	2	363

Table 128: Occupational Levels

DEPARTMENTS - RACE

The following table categories the number of employees by race within the different departments:

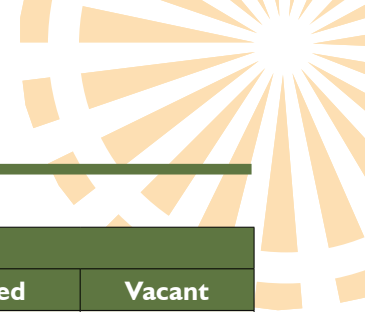
Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	0	1	0	0	1	0	0	0	2
Corporate Services	3	1	0	0	5	6	0	2	17
Financial Services	7	9	0	3	14	10	0	1	44
Public Safety and Community Services	26	49	0	5	26	14	0	0	120
Operational Services	66	87	0	5	7	2	0	0	167
Total permanent	102	147	0	13	53	32	0	3	350
Non- permanent	2	3	0	0	6	2	0	0	13
Grand total	104	150	0	13	59	34	0	2	363

Table 129: Department - Race

4.4.2 VACANCY RATE

The approved organogram for the municipality had **364** posts for the 2011/12 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **14** Posts were vacant at the end of 2011/12, resulting in a vacancy rate of **3.8%**.

Below is a table that indicates the vacancies within the municipality:



PER POST LEVEL		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	0
Middle management	8	0
Professionals	5	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	209	5
Unskilled and defined decision making	0	0
General Workers	124	8
Total	350	14
PER FUNCTIONAL LEVEL		
Functional area	Filled	Vacant
Municipal Manager	2	0
Corporate Services	28	0
Financial Services	44	1
Public Safety and Community Services	35	5
PER POST LEVEL		
Post level	Filled	Vacant
Operational Services	241	8
Total	350	14

Table 130: Vacancy rate per post and functional level

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	0	0
Chief Financial Officer	0	1	0	0
Other Section 57 Managers	0	2	0	0
Senior management	1	8	1	1
Highly skilled supervision	0	10	6	6
Total	19	23	11	11

Table 131: Vacancy rate per salary level

4.4.3 TURNOVER RATE

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality. The turnover rate shows a **decrease** from **12.64%** in 2010/11 to **8.8%** in 2011/12.

The table below indicates the turn-over rate over the last three years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2010/11	348	44	44	12.64
2011/12	364	32	32	8.8

Table 132: Turnover Rate

4.5 MANAGING THE MUNICIPAL WORKFORCE

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

4.5.1 INJURIES

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

The injury rate shows a slight **decrease** for the 2011/12 financial year from **13** employees injured against **127** employees in the 2010/11 financial year.

Incidents are investigated to determine whether there was any negligence involved to ensure that it is an actual injury on duty.

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

Directorates	2010/11	2011/12
Office of the Municipal Manager	0	0
Corporate, Community and Development Services	0	3
Financial Services 2 2		
Infrastructure, Housing and Project Management Services	1	8
Total	3	13

Table 133: Injuries

4.5.2 SICK LEAVE

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

The total number of employees that have taken sick leave during the 2011/12 financial year shows a **decrease** when comparing it with the 2010/11 financial year.

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

Department	2010/11	2011/12
Office of the Municipal Manager	6	5
Corporate, Community and Development Services	855	507
Financial Services	571	562
Infrastructure, Housing and Project Management Services 2 384	1814	
Total	3 816	2 888

Table 134: Sick Leave



4.5.3 HR POLICIES AND PLANS

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

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Smoking Policy Revise	Dec 2011
Recruitment Policy Revise	Nov 2011
Dress Code Revise	Dec 2011
Study –Aid Policy Revise	Nov 2011
Policies still to be developed	
Name of policy	Proposed date of approval
HIV and AIDS policy	31 Nov 2012
Smoking policy	31 Dec 2012
Bursary policy (Study Aid Policy)	31 Dec 2012
Essential users scheme policy	31 Dec 2013
Scarce Skills	31 Dec 2012
Skill Retention Policy	31 Dec 2012

Table 135: HR policies and plans

The Human Resources department submits policies to the Local Labour Forum on a regular basis for review purposes.

4.5.4 EMPLOYEE PERFORMANCE REWARDS

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to an employee, after -

- (1) The annual report for the financial year under review has been tabled and adopted by the municipal council;
- (2) an evaluation of performance in accordance with the provisions of regulation 23; and
- (3) approval of such evaluation by the municipal council as a reward for outstanding performance.

The evaluation of the performance of Section 57 managers forms the basis for rewarding outstanding performance.

The table below shows the total number of Section 57 that received performance rewards for the 2010/11 financial year. The 2011/12 financial year's performance bonuses will only be awarded after the annual report was tabled:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Female	1	1	1
	Male	0	0	0
Asian	Female	0	0	0
	Male	0	0	0
Coloured	Female	0	0	0
	Male	2	2	2
White	Female	0	0	0
	Male	1	1	1

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
Disability	Female	0	0	0
	Male	0	0	0
Total		4	4	4

Table 136: Performance Rewards

The Performance Management System will (was) be rolled out to all employees from post level 1 to post level 6 in 2011/2012.

4.6 CAPACITATING THE MUNICIPAL WORKFORCE

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

4.6.1 SKILLS MATRIX

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

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	1	1
	Male	2	2
Legislators, senior officials and managers	Female	4	4
	Male	10	10
Associate professionals and Technicians	Female	3	3
	Male	2	2
Professionals	Female	1	1
	Male	2	2
Clerks	Female	6	6
	Male	1	1
Service and sales workers	Female	0	0
	Male	10	10
Craft and related trade workers	Female	0	0
	Male	3	3
Plant and machine operators and assemblers	Female	0	0
	Male	7	7
Elementary occupations	Female	38	34
	Male	76	70
Sub total	Female	53	49
	Male	113	107
Total		166	156

Table 137: Skills Matrix



Note: The reason why the figures differ from those in table 63 is due to the fact that some employees that have been identified for training are being identified for more than one training/workshop/skills course. In some instances the employees that are attending learnerships are also booked for a skills course.

The reason for the total work force not being trained is due to the following:

- Insufficient funds budgeted for training
- Shortage of staff to be released for training

The following training was provided for employees trained:

- Skills programs and other short courses
- Minimum competencies
- Water learner ships
- Admin and bookkeeping learner ship
- Telematic water learner ship
- Local Government Accounting certificate
- Internal audit technician

4.6.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Target	% Variance
MM and S57	Female	1	0	0	1	1	1	1	0
	Male	3	0	0	2	2	2	2	0
Legislators, senior officials and managers	Female	4	0	0	4	4	4	4	0
	Male	17	0	0	17	17	17	17	0
Professionals	Female	3	3	3	1	1	1	1	0
	Male	2	2	2	2	2	2	2	0
Technicians and associate professionals	Female	0	0	0	3	3	3	3	0
	Male	12	0	0	2	2	2	2	0
Clerks	Female	13	0	0	6	6	6	6	0
	Male	39	0	0	1	1	1	1	0
Service and sales workers	Female	0	0	0	0	0	0	0	0
	Male	38	0	0	10	10	10	10	0
Craft and related trade workers	Female	0	0	0	0	0	0	0	0
	Male	6	0	0	3	3	3	3	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0
	Male	24	0	0	7	7	7	7	0

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Target	% Variance
Elementary occupations	Female	38	0	0	34	34	34	34	0
	Male	96	0	0	70	70	70	70	0
Sub total	Female	136	3	3	52	52	52	52	0
	Male	241	2	2	117	117	117	117	0
Total		377	5	5	164	164	164	164	0

Table 138: Skills Development

4.6.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of R427 088.00 were allocated to the workplace skills plan and that 0.53 % of the total amount was spent in the 2011/12 financial year:

Total personnel budget	Total Allocated	Total Spend	% Spent
R 4 752 800.00	R 427 088.00	R 1 255 979.93	0.53

Table 139: Budget allocated and spent for skills development

The reason for the above is because of the non-availability of providers and the high cost of identified training.

4.7 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

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

4.7.1 PERSONNEL EXPENDITURE

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

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	(%)
2010/11	54 714	188 225	29
2011/12	49 648	207 194	24

Table 140: Personnel Expenditure



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

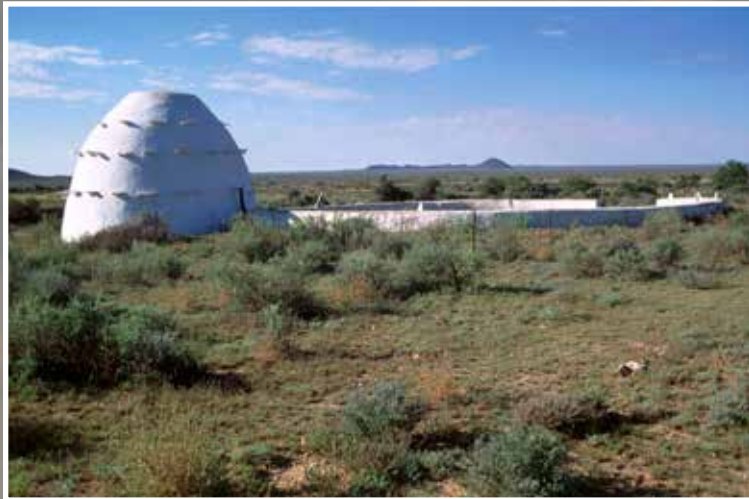
Financial year	2010/11		2011/12	
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	2 713	2 475	2 475	2 420
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	273	825	825	822
Cell phone allowance	202	183	183	179
Housing allowance	0	0	0	0
Other benefits or allowances	35	38	0	0
In-kind benefits	0	0	0	0
Sub Total - Councillors	3 223	3 521	3 483	3 421
% increase/ (decrease)	5.6	7.5	1	6
Senior Managers of the Municipality				
Salaries	1 965	2 701	2 701	1 976
Pension Contributions	270	449	449	368
Medical Aid Contributions	53	40	40	0
Motor vehicle allowance	521	633	633	726
Cell phone allowance	0	0	0	0
Housing allowance	0	0	0	0
Performance Bonus	256	298	298	256
Other benefits or allowances	87	307	307	1
In-kind benefits	0	0	0	0
Sub Total - Senior Managers of Municipality	3 152	4 428	4 428	3 327
% increase/ (decrease)	-0.1	40.5	0	5
Other Municipal Staff				
Basic Salaries and Wages	27 170	32 061	31 741	30 324
Pension Contributions	7 377	5 315	5 195	5 173
Medical Aid Contributions	1 710	2 555	2 555	1 745
Motor vehicle allowance	963	977	797	809
Cell phone allowance	706	435	435	452
Housing allowance	350	0	0	109
Overtime	446	797	797	1 401
Other benefits or allowances	9 616	4 481	4 623	2 887
Sub Total - Other Municipal Staff	483 40	46 621	46 143	42 900
% increase/ (decrease)	36.9	(10.8)	1	(10)
Total Municipality	54 715	51 049	50 571	49 648
% increase/ (decrease)	25.6	7	1	(16)

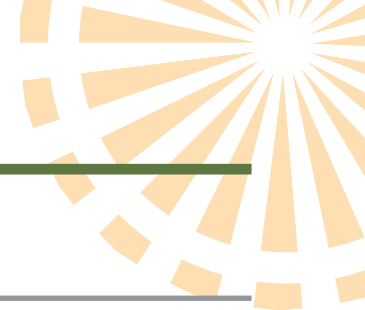
Table 141: Personnel Expenditure

*Note: figures in the previous years were amended and will therefore not match the figures in the previous year annual report.

CHAPTER 5:

FINANCIAL PERFORMANCE





CHAPTER 5: FINANCIAL PERFORMANCE

5.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & INDICATOR	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2010/11	2011/12
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	37.51%	28.54%
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	0.51	0.12
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	87%	53%

Table 142: National Key Performance Indicators – Municipal Financial Viability and Management

5.2 FINANCIAL VIABILITY HIGHLIGHTS

Highlights	Description
Operating without Bank Overdraft facility	Emthanjeni municipality almost never made use of the bank overdraft facility during the financial year. The municipality ended with a favourable bank balance at year end.
Adhering to MFMA Circular 51, by payments service providers	All service providers who submitted valid tax invoices were paid timeously within the 30 days period.
Utilisation of Operating and Capital Grants during the financial year	All operating grants were spent and 90% of the capital grants were spend during the year. This testifies our commitment to spend all grants received.
Honouring of Statutory commitments throughout the period under review	Statutory payments such as Eskom, SARS-PAYE, SARS VAT, Net salaries and Third party payments were paid on time throughout the financial year and no amounts were outstanding at year end.

Table 143: Financial Viability Highlights

5.3 FINANCIAL VIABILITY CHALLENGES

Challenge	Action to address
The Increase of outstanding balance of debtors	More vigorous efforts will be employed by the Credit Control unit to sharpen the credit control efforts within the municipality. VeriCred Credit Bureau must also be very assertive with the collection efforts
The monthly payment percentage of billing versus receipts	More vigorous efforts will be employed by the Credit Control unit to sharpen the credit control efforts within the municipality. Proper communication mechanisms will be developing to correspond with consumers in order to improve the payment culture within the municipality.

Challenge	Action to address
Spending of 100 % capital grants	Concerted efforts will be enforce to advertise tenders in advance so that contractors can start with much earlier and completed projects much faster. MIG Spending patterns will be reported to Council on a monthly basis

Table 144: Financial Viability Challenges

5.4 FINANCIAL SUSTAINABILITY

5.4.1 OPERATING RESULTS

The table below shows a summary of performance against budgets

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2010/11	144 769	152 164	(7395)	(5.11)	159 339	188225	28 886	18.13
2011/12	148 902	150324	(1 422)	0.95	154 807	207 194	(52 387)	(33.84)

Table 145: Performance against budgets

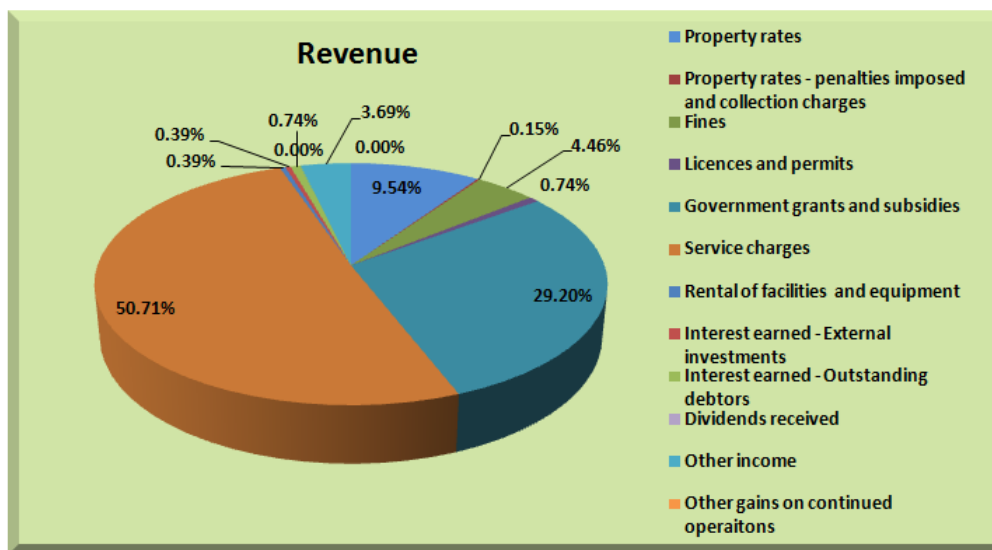
Operating Revenue

Actual Operating revenue exceeded the budgeted revenue during this financial year. During the year most of the revenue streams were in accordance with the projected revenue streams. The payment culture within the municipality is showing some signs of improvement but more extensive efforts will be employed during the coming financial year.

Operating Expenditure

Actual expenditure that was incurred was according to the budgeted expenditure. The co-operation by all internal stakeholders contributes to the much positive control mechanism that was executed during the financial year. The deficit mainly relates to the non-cash expenditure item of the Depreciation due to the valuation of fixed assets.

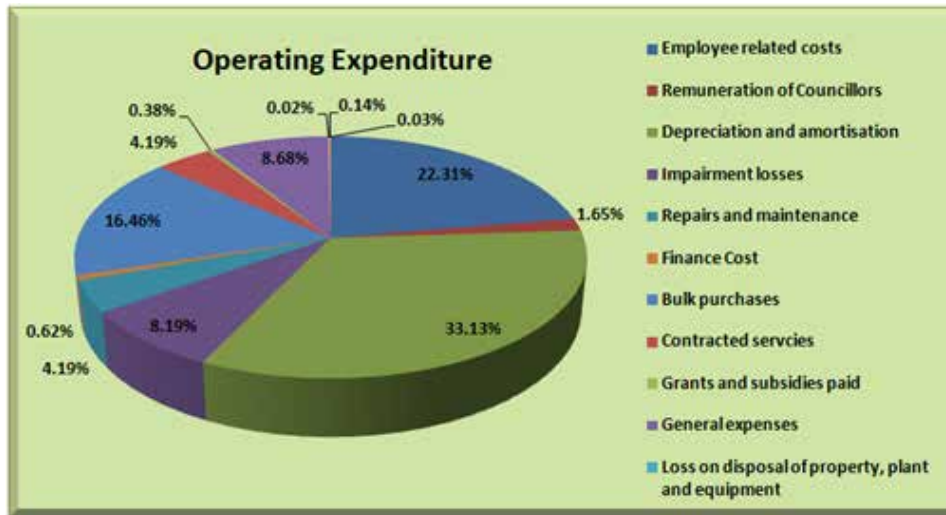
The following graph indicates the various types of revenue items in the municipal budget for 2010/11



Graph 17: Revenue



The following graph indicates the various types of expenditure items in the municipal budget for 2010/11



Graph 18: Operating expenditure

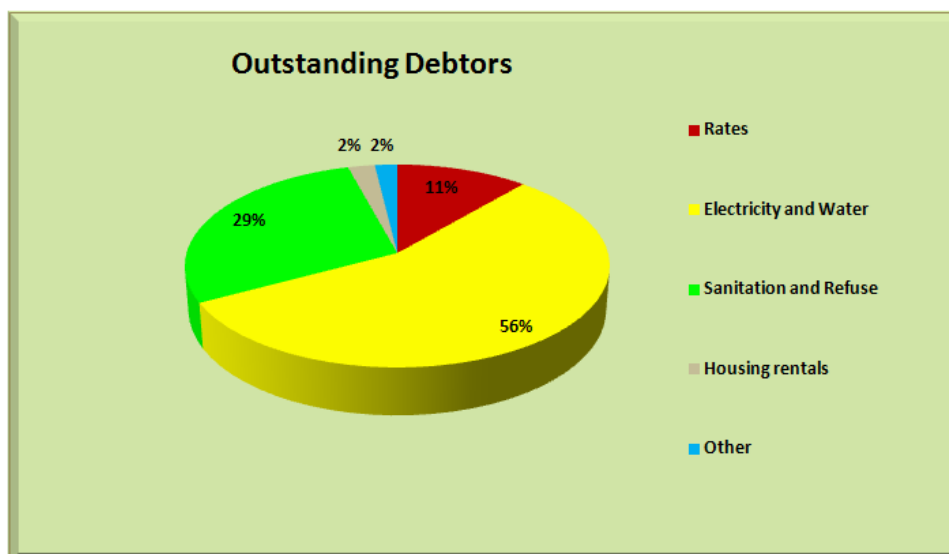
5.4.2 OUTSTANDING DEBTORS

A) GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services (Electricity and Water)	Economic services (Sanitation and Refuse)	Housing rentals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2010/11	6 142	33 174	16 778	1 221	1 719	59 034
2011/12	8 689	42 783	21 865	1 769	1 470	76 576
Difference	2 547	9 609	5 087	548	-249	17 542
% growth year on year	11	56	29	2	2	100

Table 146: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2011/12



Graph 19: Debt per type of service

B) TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days (R'000)	Between 30-60 days (R'000)	Between 60-90 days (R'000)	More than 90 days (R'000)	Total (R'000)
2010/11	7 187	2 970	2385	46 492	59 034
2011/12	7 187	2 468	2 274	64 647	76 576
Difference	0	(502)	(111)	18 155	17 542
% growth year on year	0	(3)	(1)	103	100

Table 147: Service debtor age analysis

Note: Figures exclude provision for bad debt

Outstanding debtor's amounts

Arrear balances of consumers continue to influence the cash flow of the municipality, negatively. Although concerted efforts were instituted to address the increase of the outstanding balances of debtors, the outstanding debts are increasing year on year. This put enormous pressure on the payment percentage and collection rate. Council appointed VeriCred Credit Bureau to assist the municipality with the recovery of these outstanding debts.

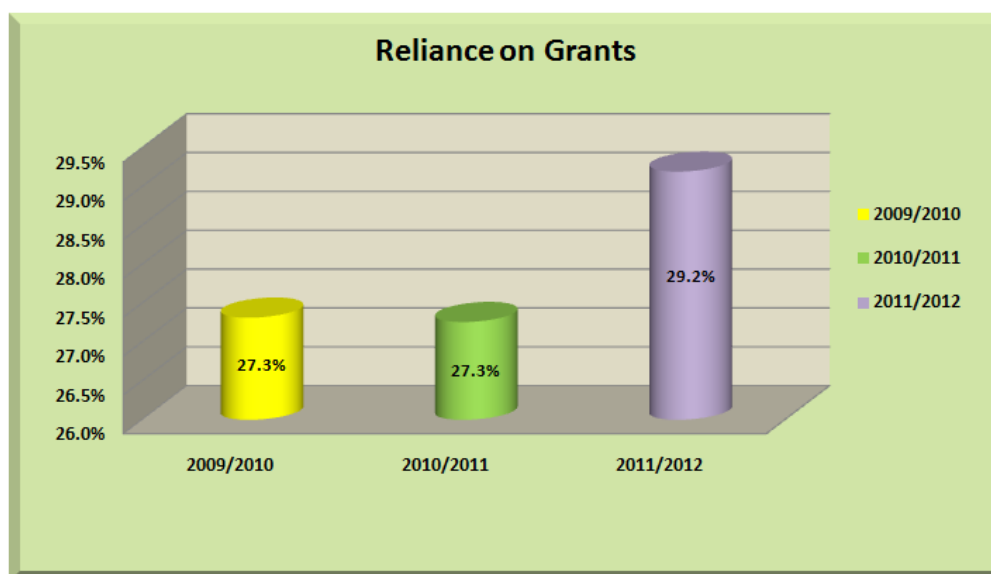
5.4.3 VIABILITY INDICATORS

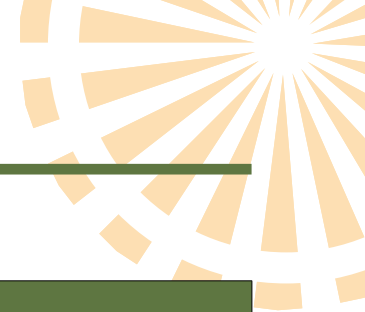
Financial year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	Percentage (%)
	R'000		
2009/10	34 820	127 478	27.32
2010/11	41 478	152164	27.00
2011/12	43 887	150 324	29.00

Table 148: Reliance on grants

26% of the municipality revenue consists from grants received. These Grants are utilised to fund the Free Basic Services that is provided to all successful Indigent Households of the municipality. Emthanjeni is relying on these operating and capital grants to finance various capital projects and other activities which benefitted the communities it serves. A huge percentage of our capital budget is funded from the Municipal Infrastructure Grant (MIG).

The following graph indicates the municipality's reliance on grants as percentage for the last three financial years

**Graph 20: Reliance on grants as %**



A) LIQUIDITY RATIO

Financial year	Net current assets	Net current liabilities	Ratio
	R'000		
2009/10	73 681	18 540	3.97:1
2010/11	103 228	24 151	4.27:1
2011/12	107 470	37 395	2.87:1

Table 149: Liquidity ratio

Although the liquidity ratios decline during the 2012/2013 financial year, it remains positive. This is a testimony to our efforts to honour our commitments fully during the period under review. This contributes to a very positive outlook for the municipality with its bankers and possible financiers of capital programmes.

5.4.4 AUDITED OUTCOMES

Year	2006/2007	2007/2008	2008/2009	2009/2010	2010/11	2011/12
Status	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified

Table 150: Audit outcomes

The following table provides the details on the audit outcomes for the past two financial years with the correctives steps implemented:

2010/11	
Issue raised	Corrective step implemented
Property, Plant and Equipment	Action Plan will be developed to address the issues identified
Revenue	
Creditors from Exchange transactions	
Intangible Assets	
Irregular Expenditure	
Emphasis of matter:	
Significant uncertainties: Non License of Landfill Site	Action Plan will be developed to address the issues identified
Restatement of corresponding figures	
Material losses and impairment	
Other Matters	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
The Audit Committee did not function as per s166, MFMA	Training and Capacitating of Audit Committee will be undertaken before the end of the 2011/2012 financial year
Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA)	
Predetermined Objectives	Action Plan will be developed to address the issues identified
Procurement and contract management	

Table 151: 2010/11 Detail on audit outcomes

2011/12	
Issue raised	Corrective step implemented
Aggregation of immaterial uncorrected misstatements	The matter will be investigated and corrections will be made on the FMS system and AFS
Accumulated Surplus understated	
Revenue overstated	
Expenditure overstated	
Creditors overstated	
Receivables understated	
Emphasis of matter:	
Restatement of corresponding figures: As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.	During the preparations of the AFS of 2013, it would be rectified.
Material losses and impairments: As disclosed in note 52.9 to the financial statements, the municipality suffered a significant electricity loss of R4 770 467 during the year under review.	DIHS will investigate the matter and will developed an programme of action to reduced the system losses
As disclosed in note 51.3 to the financial statements, the municipality incurred irregular expenditure of R16 257 924.	SCM Regulations will be followed to ensure that Irregular Expenditure is minimise
Additional Matters	
Of the total number of planned targets, only 60 were achieved during the year under review. This represents 20% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process Furthermore, 39 of the total number of targets set for the year are in respect of objectives that are considered to be qualitatively material. Of these targets, 18% were not achieved during the year under review.	The PMS targets will be investigated and amendments to the Top Layer PMS will be corrected
Planned targets not met The audit committee did not adequately advise the accounting officer on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2)(a)(vii)	An effective communication between the Council and Audit Committee will be development and executed
The audit committee did not adequately review the annual financial statements to provide the council with an authoritative and credible view of the financial position, its efficiency and effectiveness and its overall level of compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2) (b) of the MFMA	The report by the Audit committee on issues raised by the Auditor-General should become a standing item on the first council meeting after the final Audit report has been issued.
The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA	An effective communication between the Council and Audit Committee will be development and executed
A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for the this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a)	An effective communication between the Council and Audit Committee will be development and executed
The internal audit unit did not function as required by section 165 (2) of the MFMA, in that it did not advise the accounting officer on matters relating to accounting procedures and practices and risk management	An effective communication between the Council and Audit Committee will be development and executed



2011/12	
Issue raised	Corrective step implemented
The internal audit unit did not report to the audit committee on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 165(2)(b) of the MFMA	An effective communication between the Council and Audit Committee will be development and executed
The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14(1)(a)	Training on The auditing of Performance Information has been identified as a need and training will be arranged for the Internal audit unit.
The internal audit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(ii) and (iii)	An effective communication between the Council and Audit Committee will be development and executed
The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manger and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c)	An effective communication between the Council and Audit Committee will be development and executed
Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).	SCM Regulations will be adhere to as far as possible
Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as required by SCM regulation 28(2).	SCM Regulations will be adhere to as far as possible
Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.	All projects will be registered with CIDB immediately
Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of Municipal Systems Act.	All appointments will be made in accordance with the approved organogram
The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) Municipal Systems Act.	PMS agreements will be signed within the required timeframes
The performance agreements of a senior manager who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by Municipal Regulations on Minimum Competency Levels reg 16(2).	PMS agreements will be amended to include to Minimum Competency Levels,
Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.	Section 65(2) of the MFMA will be adhere too
The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.	SCM Regulations will be adhere to as far as possible

2011/12	
Issue raised	Corrective step implemented
The municipality did not submit a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011, the Human Settlement and built environment performance framework, proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280.	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.
Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered to National Revenue Fund, as required by section 20(1) of the Division of Revenue Act.	Spending patterns will be improve to avoid unspent conditional grants being repaid to National Treasury
The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.34280.	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.
Projects were not implemented in line with the details contained in the Integrated Development Plan, as required by the Division of Revenue Grant Framework, Gazette No.34280.	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.
Interest was not charged on all arrears accounts as required by section 64(2)(g) of the Municipal Finance Management Act.	The Credit Control policy will be re-assessed and be amended where possible.
An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the Municipal Finance Management Act.	A system will be developed that will ensure that all assets are accounted for and that officials are held responsible for the assets under their control.
We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.	See comments below
Leadership	
The accounting officer did not ensure that proper policy and procedures and internal control procedures are developed, implemented and monitored to report on the property plant and equipment of the municipality.	Policies will be developed and implemented
The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of maintaining the fixed asset register, preparing the annual financial statements and compliance with the supply chain management regulations.	Will ensure that this be a standing item on management meeting's agenda.
The accounting officer does not implement effective HR management to communicate leave policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities of leave management	An effective communication strategy will be developed to communicate all policies and procedures i.r.t. HR Management to the general staff on a regular basis
The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls for leave management	Will ensure that this be a standing item on management meeting's agenda.
Does not establish an IT governance framework that supports and enables the business, delivers value and improves performance.	Will ensure that this be a standing item on management meeting's agenda.



2011/12	
Issue raised	Corrective step implemented
Financial and Performance Management	
The financial statements were not sufficiently reviewed for completeness and accuracy prior to submission for auditing.	Staff will be capacitated to ensure that the AFS is being reviewed before the submission for auditing.
The municipality does not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting relating to property plant and equipment of the municipality and the service delivery objective.	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems
The municipality lacks skills regarding certain aspects of the financial reporting framework and performance management requirements. This resulted in the municipality engaging a consultant to prepare the financial statements. The underlying accounting records of the municipality did not always facilitate the preparation of the financial statements to comply with the accounting framework.	Staff will be capacitated during the current financial year with relevant training programmes offered by IMFO, National Treasury, COGSTHA, etc.
Management does not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems
The Municipality has not implemented controls in the SCM unit to review and monitor compliance with applicable laws and regulations.	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems
Governance	
Does not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.	More interaction between the Internal Audit Unit and Management will be establish during the financial year
The financial statements were subject to material corrections resulting from the audit, which are attributable to the lack of risk assessment performed, weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.	The areas of risk will be addressed during the financial year

Table 152: 2011/12 Detail on audit outcomes

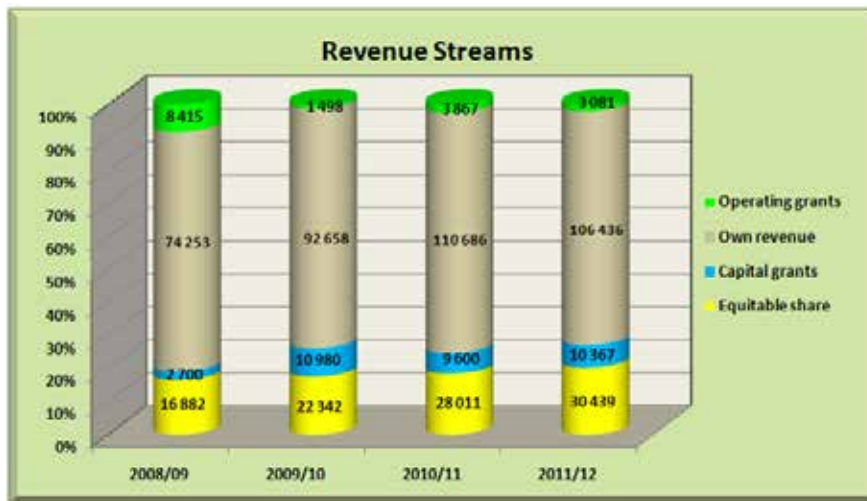
The audit outcomes of 2011/2012 have shown an enormous improvement in the operations of the municipality. Aggregate amounts of the 2010/2011 were the biggest area of concern. The 2012 financial year testify on our commitment in achieving clean audit status by 2014.

5.4.5 EQUITABLE SHARE VS. TOTAL REVENUE

Description of revenue	Amount received 2008/09	Amount received 2009/10	Amount received 2010/11	Amount received 2011/12
	R'000			
Equitable share	16 882	22 342	28 011	30 439
Capital grants	2 700	10 980	9 600	10 367
Operating grants	8 415	1 498	3 867	3 081
Own revenue	74 253	92 658	110 686	106 436
Total revenue	102 250	127 478	152 164	150 323

Table 153: Equitable share vs. total revenue

The following graph indicates the various revenue streams of the municipality for the past three financial years.



Graph 21: Revenue streams

5.4.6 REPAIRS AND MAINTENANCE

Description	2008/2009	2009/2010	2010/11	2011/12
	R'000			
Total Operating Expenditure	152 967	162 598	188 225	207 194
Repairs and Maintenance	6 546	7 967	9 714	8 679
% of total OPEX	4.28	4.90	5.00	4.00

Table 154: Repairs & maintenance as % of total OPEX

This expenditure reflects the normal repairs and maintenance of assets that were repair or maintained during the year. A big portion of the budgeted amounts have been re-allocated to replace old and redundant assets. Council remains committed to increase spending in the maintenance of existing, new and old assets. The percentage of the actual amount spent on Repair and Maintenance in relation to the total expenditure which includes a huge amount of depreciation contributes to the low percentage as it reflects in Table 117. The replacement of assets which were capitalised is excluded in the figures above.

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational budget



Graph 22: Repairs and maintenance as percentage of OPEX



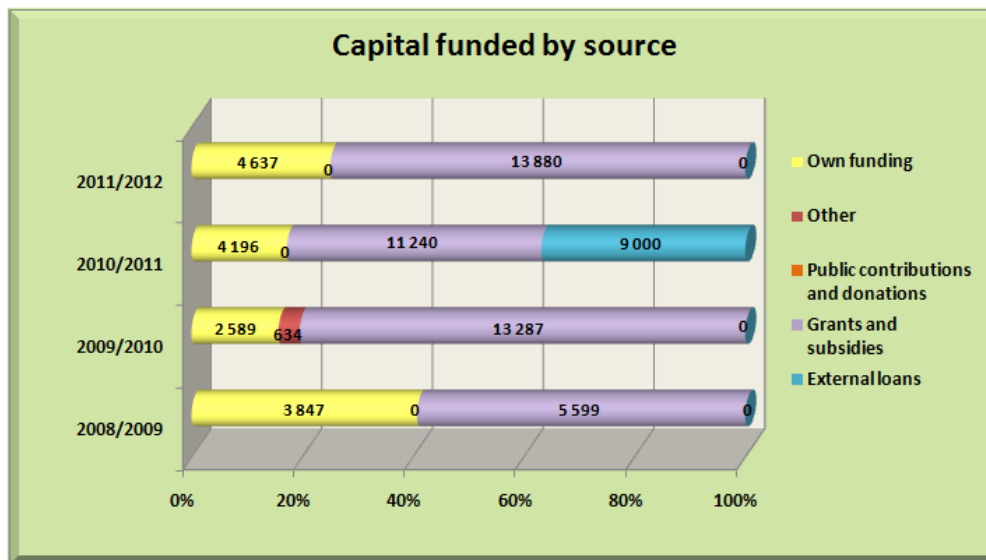
5.4.7 CAPITAL FUNDED BY SOURCE

Description Source	2008/09	2009/10	2010/11	2011/12
	R'000			
External loans	0	0	9 000	0
Grants and subsidies	5 599	13 287	11 240	13 880
Public contributions and donations	0	0	0	0
Own funding	3 847	2 589	4 196	4 637
Other	0	634	0	0
Total capital expenditure	9 446	16 510	24 436	18 517

Table 155: Capital funded by source

The spending of the total capital budget is unquestionable a very high priority of the Council of Emthanjeni municipality. Although almost 90% of the total capital programme which is funded from grants realised during the year. The project will finalise over the next few months. Council and management remain steadfast in their commitment to spend all committed funds in the next financial year.

The following graph indicates capital expenditure funded by the various sources



Graph 23: Capital funded by source

LIST OF ABBREVIATIONS

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



ANNEXURE A: ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

General information

Members of the Council:

ST Sthonga	Mayor
MM Freddie	Speaker
WJ du Plessis	Member
AF Jaftha	Member
J Jood	Member
VG Jonas	Member
MC Kivedo	Member
M Malherbe	Member
GL Nkumbi	Member
GL Nyl	Member
HJ Rust	Member
B Swanepoel	Member
NS Thomas	Member
WA Witbooi	Member

Municipal Manager:

I Visser

Chief Financial Officer:

MF Manuel

Grading of Local Authority:

Grade 2

Auditors:

Auditor-General

Bankers:

ABSA Bank Limited

Registered Office:

45 Voortrekker Street
De Aar
7000

Physical address:

45 Voortrekker Street
De Aar
7000

Postal address:

PO Box 42
De Aar
7000

Telephone number:

(053) 632 9100

Fax number:


(053) 631 0105

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

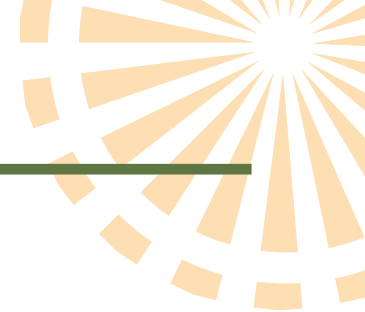
Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 121 to 234, 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: I Visser
31 August 2012



REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Emthanjeni Local Municipality at 30 June 2012 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period are set out in Directive 5 issued by the ASB on 27 March 2012.

The Statement of Financial Position at 30 June 2012 indicates a decrease in Net Assets and Non-current Liabilities and an increase Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decrease in Retirement Benefit Liabilities. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) at the end of the Year	(56,870,146)	(36,060,359)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	22.31%	27.36%
Remuneration of Councillors	1.65%	1.71%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	33.13%	35.51%
Impairment Losses	8.19%	0.94%
Repairs and Maintenance	4.19%	5.16%
Interest Paid	0.62%	0.40%
Bulk Purchases	16.46%	14.01%
Contracted Services	4.19%	4.77%
Grants and Subsidies Paid	0.38%	0.30%
General Expenses	8.68%	9.31%
Loss on Disposal of Property, Plant and Equipment	0.02%	0.00%
Loss on Sale of land	0.14%	0.20%
Inventory Written-off	0.03%	0.32%
Current Ratio:		
Creditors Days	30 days	30 days
Debtors Days	183 days	45 days

The increase in the number of Debtor Days is due to the increase in the Provision for Impairment that amounted to R16 935 340. All creditors are paid within 30 days and therefore the current ratio is listed as such.

REPORT OF THE CHIEF FINANCIAL OFFICER

The following ratios are seen by the Municipality as key ratios in monthly reporting:

RATIOS	2012	2011
Cost Coverage	87%	53%
Debt Coverage	37.51	28.54
Service Debtors to Revenue	0.51	0.12

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Note 64.

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	919,832,243	943,712,142			
Operating income for the year	150,323,523	152,164,177	(1.21)%	159,584,000	(5.80)%
	1,070,155,766	1,095,876,319		159,584,000	
Expenditure:					
Operating expenditure for the year	(207,193,669)	(188,224,536)	10.08%	(144,200,000)	43.68%
Sundry transfers	12,190,337	12,180,460		-	
Closing surplus / (deficit)	875,152,434	919,832,243		15,384,000	

3.1 Rates and General Services:

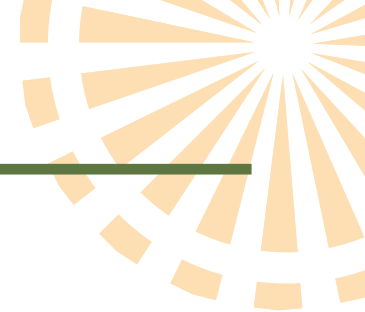
Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	49,379,467	60,432,053	(18.29)%	60,528,000	(18.42)%
Expenditure	(96,080,671)	(134,419,928)	(28.52)%	(71,366,000)	34.63%
Surplus / (Deficit)	(29,772,828)	(78,825,049)		(10,838,000)	
Surplus / (Deficit) as % of total income	52.35%	218.59%		(6.79)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	244,006	1,109,127	(78.00)%	18,000	1255.59%
Expenditure	(4,016,068)	(4,039,478)	(0.58)%	(2,987,000)	34.45%
Surplus / (Deficit)	(3,772,062)	(2,930,351)		(2,969,000)	
Surplus / (Deficit) as % of total income	6.63%	5.15%		(1.86)%	



REPORT OF THE CHIEF FINANCIAL OFFICER

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	24,722,347	23,795,472	3.90%	28,772,000	(14.07)%
Expenditure	(20,168,901)	(11,379,162)	77.24%	(13,918,000)	44.91%
Surplus / (Deficit)	4,553,446	12,416,310		14,854,000	
Surplus / (Deficit) as % of total income	(8.01)%	(34.43)%		9.31%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R33 173 974 (2011: R25 508 634). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	56,968,969	50,530,600	12.74%	52,647,000	8.21%
Expenditure	(54,151,724)	(32,760,795)	65.29%	(44,498,000)	21.69%
Surplus / (Deficit)	2,817,245	17,769,806		8,149,000	
Surplus / (Deficit) as % of total income	(4.95)%	(49.28)%		5.11%	

3.5 Water Services:

Water is bought in bulk from a number of suppliers and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R931 628 (2011: R870 953). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	19,008,734	16,296,925	16.64%	17,619,000	7.89%
Expenditure	(32,776,305)	(5,625,173)	482.67%	(11,431,000)	186.73%
Surplus / (Deficit)	(13,767,571)	10,671,752		6,188,000	
Surplus / (Deficit) as % of total income	24.21%	(29.59)%		3.88%	

4. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R875 152 434 (30 June 2011: R919 832 243) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	872,899,641
	875,152,434

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 25 and the Statement of Change in Net Assets for more detail.

REPORT OF THE CHIEF FINANCIAL OFFICER

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R8 510 509 (30 June 2011: R10 792 632).

Refer to Note 20 and Appendix "A" for more detail.

6. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R24 626 029 (30 June 2011: R25 507 607).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R2 467 105 as at 30 June 2012 (30 June 2011: R2 412 280) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	2,467,105
	<u>2,467,105</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted R37 395 383 as at 30 June 2012 (30 June 2011: R24 151 105) and is made up as follows:

Consumer Deposits	Note 14	1,781,959
Current Portion of Retirement Benefit Liabilities	Note 15	1,282,656
Creditors	Note 16 & 17	12,776,290
Unspent Conditional Grants and Receipts	Note 18	11,954,426
VAT	Note 19	2,189,259
Bank Overdraft	Note 5	5,154,118
Current Portion of Long-term Liabilities	Note 20	2,256,675
		<u>37,395,383</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 025 429 449 as at 30 June 2012 (30 June 2011: R1 075 119 945).

Refer to Note 8 and Appendices "B, C and E (2)" for more detail.

10. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 062 346 as at 30 June 2012 (30 June 2011: R1 611 012).

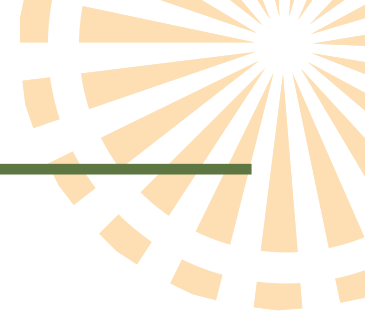
These are assets without physical form and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

11. INVESTMENT PROPERTIES

The net value of Investment Properties were R3 106 800 as at 30 June 2012 (30 June 2011: R3 440 900).

Refer to Note 10 and Appendix "B" for more detail.



REPORT OF THE CHIEF FINANCIAL OFFICER

12. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R10 940 as at 30 June 2012 (30 June 2011: R7 678).

Refer to Note 12 for more detail.

13. LONG-TERM RECEIVABLES

Long-term Receivables of R1 164 at 30 June 2012 (30 June 2011: R30 126) is made up as follows:

Other Loans	1,164
	<u>1,164</u>
Less: Short-term portion included in Current Assets	-
	<u><u>1,164</u></u>

The decrease in the amount for Long-term Receivables is due to a loan that was repaid in full during the year.

Refer to Note 13 for more detail.

14. CURRENT ASSETS

Current Assets amounted R107 470 339 as at 30 June 2012 (30 June 2011: R103 214 313) and is made up as follows:

Inventory	Note 2	46,078,743
Receivables from Exchange Transactions	Note 3	39,144,555
Receivables from Non-exchange Transactions	Note 4	7,788,763
Bank, Cash and Cash Equivalents	Note 5	14,379,346
Operating Lease Assets	Note 6	78,931
		<u><u>107,470,339</u></u>

The increase in the amount for Current Assets is mainly due to the increase in the Receivables from Exchange Transactions.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 27, and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 61.

17. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

18. EXPRESSION OF APPRECIATION

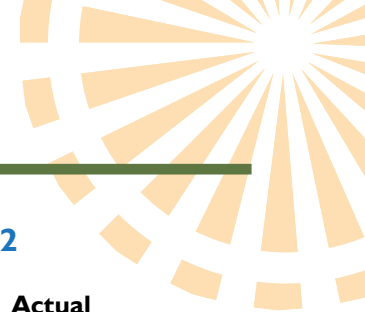
We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER
31 August 2012

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

		Actual	
	Note	2012 R	Restated 2011 R
ASSETS			
Current Assets		1 07,470,339	103,227,751
Inventory	2	46,078,743	45,986,510
Receivables from Exchange Transactions	3	39,144,555	40,831,259
Receivables from Non-exchange Transactions	4	7,788,763	7,192,445
Bank, Cash and Cash Equivalents	5	14,379,346	9,160,618
Operating Lease Assets	6	78,931	43,480
Current Portion of Long-term Receivables	7	-	13,438
Non-Current Assets		1,029,731,322	1,080,409,915
Property, Plant and Equipment	8	1,025,429,449	1,075,119,945
Intangible Assets	9	1,062,346	1,611,012
Investment Property	10	3,106,800	3,440,900
Non-current Investments	12	10,940	7,678
Operating Lease Assets	6	120,623	200,253
Long-term Receivables	13	1,164	30,126
Total Assets		1,137,201,660	1,183,637,666
LIABILITIES			
Current Liabilities		37,395,383	24,151,151
Consumer Deposits	14	1,781,959	1,710,596
Current Portion of Retirement Benefit Liabilities	15	1,282,656	1,091,123
Creditors from Exchange Transactions	16	12,003,563	8,214,306
Creditors from Non-exchange Transactions	17	772,728	728,119
Unspent Conditional Grants and Receipts	18	11,954,426	2,325,389
VAT Payable	19	2,189,259	4,036,539
Bank Overdraft	5	5,154,118	4,020,092
Current Portion of Long-term Liabilities	20	2,256,675	2,024,986
Non-Current Liabilities		38,209,664	41,019,756
Long-term Liabilities	20	8,510,509	10,792,632
Retirement Benefit Liabilities	21	24,626,029	25,507,607
Non-current Provisions	22	2,467,105	2,412,280
Long Service Award	23	2,606,021	2,307,237
Total Liabilities		75,605,047	65,170,907
Total Assets and Liabilities		1,061,596,613	1,118,466,758
NET ASSETS			
Reserves	24	186,444,178	198,634,515
Accumulated Surplus / (Deficit)	25	875,152,435	919,832,243
Total Net Assets		1,061,596,613	1,118,466,758

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual	
		2012 R	Restated 2011 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	26	14,337,195	12,192,849
Property Rates - Penalties imposed and collection charges	32	223,361	175,921
Fines	27	6,703,169	8,698,596
Licences and Permits	28	1,107,196	1,086,425
Government Grants and Subsidies Received	29	43,887,412	41,477,597
Revenue from Exchange Transactions			
Service Charges	30	76,226,722	66,005,131
Rental of Facilities and Equipment	31	587,101	565,603
Interest Earned - External Investments	32	585,044	903,394
Interest Earned - Outstanding Debtors	32	1,115,696	842,999
Dividends Received		-	540
Other Income	33	5,547,365	20,197,863
Other Gains on Continued Operations	44	3,262	467
Gains on Disposal of Property, Plant and Equipment		-	16,791
Total Revenue		150,323,523	152,164,177
EXPENDITURE			
Employee Related Costs	34	46,227,048	51,491,497
Remuneration of Councillors	35	3,421,246	3,223,142
Depreciation and Amortisation	36	68,650,425	66,837,113
Impairment Losses	37	16,971,219	1,765,894
Repairs and Maintenance	38	8,679,225	9,714,320
Finance Costs	39	1,284,487	754,856
Bulk Purchases	40	34,105,602	26,379,586
Contracted Services	41	8,689,470	8,970,331
Grants and Subsidies Paid	42	788,172	567,870
General Expenses	43	17,982,271	17,532,266
Loss on Disposal of Property, Plant and Equipment		44,914	-
Loss on Sale of Land		288,719	382,404
Inventory Written-off		60,870	605,257
Total Expenditure		207,193,669	188,224,536
(DEFICIT) FOR THE YEAR		(56,870,146)	(36,060,359)



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/ (Deficit) Account	Total
		Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R	R
2011					
Balance at 30 June 2010	283,487,410	2,252,793	592,815,734	595,068,527	878,555,937
Correction of Error (Note 45)	(72,672,435)	-	348,643,615	348,643,615	275,971,180
Restated Balance	210,814,974	2,252,793	941,459,349	943,712,142	1,154,527,117
Surplus / (Deficit) for the year	-	-	(36,060,359)	(36,060,359)	(36,060,359)
Depreciation transfer for Land and Buildings (Note 24)	(12,180,460)	-	12,180,460	12,180,460	-
Balance at 30 June 2011	198,634,515	2,252,793	917,579,450	919,832,243	1,118,466,758
2012					
Restated Balance	198,634,515	2,252,793	917,579,450	919,832,243	1,118,466,758
Surplus / (Deficit) for the year	-	-	(56,870,146)	(56,870,146)	(56,870,146)
Depreciation transfer for Land and Buildings (Note 24)	(12,190,337)	-	12,190,337	12,190,337	-
Balance at 30 June 2012	186,444,178	2,252,793	872,899,641	875,152,434	1,061,596,612

Details on the movement of the Funds and Reserves are set out in Note 24 and Note 25.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2012 R	Restated 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		147,882,350	98,886,077
Cash paid to Suppliers and Employees		(123,933,235)	(92,132,095)
Cash generated from / (utilised in) Operations	47	23,949,115	6,753,982
Dividends received		-	540
Interest received	32	1,924,100	1,922,314
Interest paid	39	(1,284,487)	(754,856)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		24,588,729	7,921,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(18,516,991)	(20,618,114)
Purchase of Intangible Assets	9	(25,609)	(51,842)
Proceeds on Disposal of Property, Plant and Equipment		1,226	160,260
Proceeds on Disposal of Investment Property		45,381	-
Decrease / (Increase) in Long-term Receivables	13	42,401	12,709
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(18,453,591)	(20,496,987)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised		-	9,000,000
Loans repaid		(2,050,435)	(1,349,765)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(2,050,435)	7,650,235
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		4,084,702	(4,924,772)
Cash and Cash Equivalents at the beginning of the year	5	5,140,526	10,065,298
Cash and Cash Equivalents at the end of the year	5	9,225,228	5,140,526



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

I. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

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

I.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point I above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

I.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

I.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: *Revenue*, as far as *Revenue from Non-Exchange Transactions* is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value of the consideration received. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

I.2.2 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

I. BASIS OF PRESENTATION (Continued)

I.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

I.2.2 Financial Assets and Liabilities (continued)

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

I.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their credit worthiness.

This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R16 930 242 and that of trade and other receivable from non exchange transactions to R1 702 538.

I.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

I.2.5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 6.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgements, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R85 195, whilst no impairments were made to intangible assets or inventory.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

1. BASIS OF PRESENTATION (Continued)

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1.2.6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 9 of the accounting policy notes to the Annual Financial Statements.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 21, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 and 23 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1.5 OFFSETTING

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

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005

GRAP 20 Related Party Disclosures (Revised)

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee Benefits - issued December 2009

GRAP 26 Impairment of Cash-generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments - issued October 2009

GRAP 105 Transfers between entities under common control - issued November 2010

GRAP 106 Transfers between entities not under common control - issued November 2010

GRAP 107 Mergers - issued November 2010

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

I. BASIS OF PRESENTATION (Continued)

I.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but are not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. The reasons for this anticipation is due to the following considerations:

Segment Reporting (GRAP 18 - issued March 2005): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as segmental reporting is not applicable to the municipality.

Related Party Disclosures (Revised) (GRAP 20): IPSAS 20 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 20.

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009): GRAP 21 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 21.

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008): GRAP 23 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 23.

Presentation of Budget Information in Financial Statements (GRAP 24 - issued November 2007): GRAP 24 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 24.

Employee Benefits (GRAP 25 - issued December 2009): IAS 19 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 25.

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009): GRAP 26 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 26.

Heritage Assets (GRAP 103 - issued July 2008): GRAP 103 principles were used in formulating an appropriate accounting policy. GRAP 103 requires all Heritage Assets to be measured, which will result in the increase of the balance disclosed in the Statement of Financial Position. Due to the expert knowledge required to determine the carrying value of these assets, management cannot determine the financial effect until such valuations have been completed.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

1. BASIS OF PRESENTATION (Continued)

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

Financial Instruments (GRAP 104 Financial Instruments - October 2009): The difference between GRAP 104 and IFRS 7 requirements is only minor disclosure requirements and will not impact materially on the Annual Financial Statements.

Transfers between entities under common control (GRAP 105 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.

Transfers between entities not under common control (GRAP 106 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.

Mergers (GRAP 107 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such mergers have ever been recorded.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued 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 revalued amounts, are credited or charged to the Statement of Financial Performance.

2.2 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

2.2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located, if such an obligation exists.

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

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

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

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and building and including infrastructure assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Infrastructure assets are stated at the depreciated replacement cost.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are done every four years or when there is evidence that the fair value of land and buildings changed significantly, which ever occurs first.

These changes are recorded as a change in accounting policy in the Statement of Financial Performance.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.2 Subsequent Measurement (Continued)

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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 revalued assets are sold or retired, the amounts included in the revaluation reserve, in respect of that assets, are transferred to accumulated surplus or deficit.

Gain or loss on the disposal of assets, through compensation from third parties for items of property, plant and equipment that were impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited useful life. Depreciation on other assets is calculated on the straight line basis to allocate their depreciable amounts over their useful lives. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total value of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is in the condition and location necessary for it to be used in the manner intended by the municipality.

	Years		Years
Infrastructure		Buildings	5 - 30
Roads and Paving	10 - 50		
Electricity	10 - 30	Other	
Water	10 - 50	Specialist Vehicles	5 - 15
Sewerage	10 - 50	Other Vehicles	5 - 15
Landfill Sites	10 - 25	Office Equipment	3 - 10
		Furniture and Fittings	3 - 15
Community		Watercraft	10 - 15
Recreational Facilities	5 - 30	Bins and Containers	10 - 15
Security	5 - 30	Specialised Plant and Equipment	3 - 10
		Other Items of Plant and Equipment	3 - 10

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. HERITAGE ASSETS

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

4.1 Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

4. HERITAGE ASSETS (Continued)

4.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or service potential delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

An intangible asset is a identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

5. INTANGIBLE ASSETS (Continued)

5.1 Initial Recognition (Continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straightline basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible Asset	Years
Software	3 - 5

Intangible assets are annually tested for impairment. Where items of intangible assets 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. The impairment loss is the difference between the carrying amount and the recoverable amount of the asset.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5.3 Derecognition

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



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2009). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. The circumstances surrounding the investment properties is considered annually to establish whether conditions and circumstances changed that may effect the fair value significantly. If such indications are identified, the investment properties are valued to establish the fair value thereof.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

6. INVESTMENT PROPERTY (Continued)

6.3 Derecognition

Investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7.1 Impairment of Cash Generating Assets

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

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

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- evidence is available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The asset's value in use is determined by calculating the present value of the estimated future cash flows expected to be derived from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

7. IMPAIRMENT OF ASSETS (Continued)

7.1 Impairment of Cash Generating Assets (Continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7.2 Impairment of Non-Cash Generating Assets

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

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

- cessation, or near cessation, of the demand or need for services provided by the asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates;
- evidence is available of physical damage of an asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- a decision to halt the construction of the asset before it is complete or in a usable condition; and
- evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The remaining service potential is determined by using the approach (as listed below) which is the most appropriate in measuring the value:

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

7. IMPAIRMENT OF ASSETS (Continued)

7.2 Impairment of Non-Cash Generating Assets (Continued)

- **Depreciated replacement cost approach:** The present value of the remaining service potential of the asset is determined as the depreciated replacement cost of the asset. The replacement cost of the asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.
- **Restoration cost approach:** This is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- **Service units approach:** The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

8.1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

8. FINANCIAL INSTRUMENTS (Continued)

8.1 Financial Assets - Classification (Continued)

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- | | |
|---------------------------|--|
| • Long-term Liabilities | Other financial liabilities (Financial liabilities measured at amortised cost) |
| • Certain Other Creditors | Other financial liabilities (Financial liabilities measured at amortised cost) |
| • Bank Overdraft | Other financial liabilities (Financial liabilities measured at amortised cost) |
| • Consumer Deposits | Financial liabilities at fair value through profit and loss |



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

8. FINANCIAL INSTRUMENTS (Continued)

8.2 Financial Liabilities - Classification (Continued)

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets at fair value through profit or loss are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

8.3.2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

8. FINANCIAL INSTRUMENTS (Continued)

8.3 Initial and Subsequent Measurement (Continued)

8.3.2 Financial Liabilities: (Continued)

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

8.4 Impairment of Financial Assets

The following observable data is considered by the municipality:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group,

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

8. FINANCIAL INSTRUMENTS (Continued)

8.4 Impairment of Financial Assets (Continued)

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable besides taking into consideration any dispute.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

8. FINANCIAL INSTRUMENTS (Continued)

8.5 Derecognition of Financial Assets (Continued)

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus nonrefundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

Consumable stores

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is recognised as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

9. INVENTORIES (Continued)

9.2 Subsequent Measurement (Continued)

Water and purified effluent are valued by using the weighted average cost method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

10. REVENUE RECOGNITION (Continued)

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2.4 Tariff Charges

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

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

10. REVENUE RECOGNITION (Continued)

10.2 Revenue from Exchange Transactions (Continued)

10.2.6 Sale of Goods (including Houses)

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

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

10.2.7 Rentals

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

10.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

10. REVENUE RECOGNITION (Continued)

10.3 Revenue from Non-exchange Transactions (Continued)

10.3.3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10.3.4 Government Grants and receipts

Equitable share allocations are recognised when the municipality has a right to receipt.

Conditional grants and receipts of a capital nature

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

II. PROVISIONS (Continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

12.EMPLOYEE BENEFITS (Continued)

12.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

12.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

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

12.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance. Valuations are performed on an annual basis.

12.3.3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 55 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

12.3.4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

12.EMPLOYEE BENEFITS (Continued)

12.3 Defined Benefit Plans (Continued)

12.3.4 Defined benefit pension plans (Continued)

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

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

13.LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts is recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

13. LEASES (Continued)

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between recognised income and receipts is recognised as an operating lease asset or liability.

13.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

15. GRANTS-IN-AID (Continued)

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value- Added Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Note 46 to the Annual Financial Statements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 45 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.



ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 june 2012

21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality furthermore considers related parties within the same sphere of government and will disclose these parties as such only if transactions occurred which were not at arm's length.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24. COMPARATIVE INFORMATION

24.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP I, been provided to these financial statements and form part of the Annual Financial Statements. The budget has been prepared on a comparable basis. Refer to Note 63.

24.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. Refer to Note 63.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 june 2012

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are either non-cancellable or only cancellable at significant cost contracts, and should relate to something other than the business of the municipality.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

1. GENERAL INFORMATION

Emthanjeni Local Municipality (the municipality) is a local government institution in De Aar, Britstown and Hanover, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORY

	2012 R	2011 R
Consumable Stores - at cost	352,077	260,624
Property Stock - at cost	45,713,922	45,713,922
Water - at cost	12,744	11,964
Total Inventory	46,078,743	45,986,510

Consumables are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R0.61 per kilolitre (2011: R0.56 per kilolitre).

Inventory to the value of R60 870 (2011: R605 257) was written off during the year. The write-off is the result of stock differences identified and the consumables being carried as a no-charge item. The cost of Inventories recognised as an expense during the period was R935 733 (2011: R1 275 211).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	64,648,039	(26,540,892)	38,107,147
Electricity	15,593,583	(4,314,978)	11,278,605
Refuse	7,213,350	(2,912,425)	4,300,924
Sewerage	14,651,557	(5,745,761)	8,905,796
Water	27,189,549	(13,567,728)	13,621,820
Other Debtors	1,768,791	(731,383)	1,037,408
Other Debtors	1,768,791	(731,383)	1,037,408
Total Trade and Other Receivables from Exchange Transactions	66,416,830	(27,272,275)	39,144,555

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	49,952,231	(10,040,725)	39,911,507
Electricity	13,110,276	(1,235,582)	11,874,694
Refuse	5,363,545	(976,802)	4,386,743
Sewerage	11,414,171	(1,825,133)	9,589,038
Water	20,064,239	(6,003,207)	14,061,032
Other Debtors	1,221,061	(301,309)	919,752
Other Debtors	1,221,061	(301,309)	919,752
Total Trade and Other Receivables from Exchange Transactions	51,173,292	(10,342,033)	40,831,259

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Trade and Other Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Trade Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications which it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2012, the Municipality is owed R1 598 784 (2011: R2 179 356) by National and Provincial Government.

The municipality did not pledge any of its Trade and Other Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables approximate their fair values.

The fair value of Trade and Other Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Trade Receivables as well as the current payment ratio's of the municipality's Trade Receivables.

3.1 Ageing of Trade and Other Receivables from Exchange Transactions

As at 30 June 2012

	Current 0 - 30 Days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
Electricity:					
Gross Balances	3,941,229	944,747	696,396	10,011,211	15,593,583
Less: Provision for Impairment	(295,365)	(216,568)	(160,923)	(3,642,122)	(4,314,978)
Net Balances	3,645,864	728,179	535,473	6,369,089	11,278,605
Refuse:					
Gross Balances	2 95,669	241,304	215,002	6,461,374	7,213,350
Less: Provision for Impairment	47,254	(49,420)	(50,193)	(2,860,066)	(2,912,425)
Net Balances	342,923	191,884	164,809	3,601,308	4,300,924
Sewerage:					
Gross Balances	5 50,951	414,772	370,399	13,315,434	14,651,556
Less: Provision for Impairment	6 3,868	(82,939)	(83,440)	(5,643,249)	(5,745,761)
Net Balances	614,819	331,833	286,959	7,672,185	8,905,796
Water:					
Gross Balances	1,683,007	787,926	702,827	24,015,788	27,189,549
Less: Provision for Impairment	(245,488)	(314,935)	(324,807)	(12,682,499)	(13,567,728)
Net Balances	1,437,520	472,991	378,021	11,333,289	13,621,820
Other Debtors:					
Gross Balances	87,187	52,519	125,197	1,503,886	1,768,790
Less: Provision for Impairment	(19,961)	(19,800)	(19,939)	(671,684)	(731,383)
Net Balances	67,226	32,720	105,258	832,203	1,037,407



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2012 Trade and Other Receivables of R32 720 426 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:					
Gross Balances	6,558,044	2,441,269	2,109,822	55,307,693	59,858,783
Less: Provision for Impairment	(449,691)	(683,662)	(639,302)	(25,499,619)	(26,822,583)
Net Balances	7,007,735	1,757,606	1,470,520	29,808,074	33,036,200

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3,552,095	970,228	667,216	7,920,737	13,110,276
Less: Provision for Impairment	(65,368)	(63,154)	(60,106)	(1,046,954)	(1,235,582)
Net Balances	3,486,727	907,074	607,110	6,873,783	11,874,694

Refuse:

Gross Balances	479,616	340,633	310,963	4,232,332	5,363,545
Less: Provision for Impairment	(98,485)	(74,312)	(53,076)	(750,928)	(976,802)
Net Balances	381,131	266,321	257,887	3,481,404	4,386,743

Sewerage:

Gross Balances	849,479	588,390	540,035	9,436,267	11,414,171
Less: Provision for Impairment	(117,575)	(114,007)	(107,849)	(1,485,701)	(1,825,133)
Net Balances	731,904	474,383	432,186	7,950,565	9,589,038

Water:

Gross Balances	1,578,177	791,658	682,549	17,011,856	20,064,239
Less: Provision for Impairment	(202,924)	(234,193)	(203,277)	(5,362,813)	(6,003,207)
Net Balances	1,375,252	557,465	479,272	11,649,043	14,061,032

Other Debtors:

Gross Balances	60,902	54,248	21,716	1,084,195	1,221,061
Less: Provision for Impairment	(7,262)	(13,144)	(6,176)	(274,727)	(301,309)
Net Balances	53,639	41,104	15,541	809,468	919,752

As at 30 June 2011 Trade and Other Receivables of R2 881 918 were past due but not impaired. The age analysis of these Trade and other Receivables are as follows:

		Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:					
Gross Balances	6,520,269	2,745,157	2,222,480	39,685,386	44,653,023
Less: Provision for Impairment	(491,615)	(498,811)	(430,484)	(8,921,123)	(9,850,418)
Net Balances	7,011,884	2,246,346	1,791,996	30,764,263	34,802,605

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	4,810,184	1,468,171	279,688	-
<i>Past Due:</i>				
31 - 60 Days	1,834,620	436,464	170,185	-
61 - 90 Days	1,660,779	362,456	86,587	-
+ 90 Days	50,556,581	3,684,893	1,062,324	3,895
Sub-total	58,862,164	5,951,983	1,598,784	3,895
Less: Provision for Impairment	(25,690,072)	(1,582,202)	-	-
Total Trade Receivables by Customer Classification	33,172,092	4,369,781	1,598,784	3,895

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<i>Current:</i>				
0 - 30 days	4,493,730	1,514,894	473,384	36,022
<i>Past Due:</i>				
31 - 60 Days	1,984,267	534,664	206,258	19,968
61 - 90 Days	1,696,974	372,590	135,183	17,733
+ 90 Days	34,174,838	3,814,540	1,364,532	333,716
Sub-total	42,349,809	6,236,688	2,179,356	407,439
Less: Provision for Impairment	(10,314,521)	(27,512)	-	-
Total Trade Receivables by Customer Classification	32,035,288	6,209,176	2,179,356	407,439

3.3 Reconciliation of the Provision for Impairment

	2012 R	2011 R
Balance at beginning of year	(10,342,033)	(25,760,219)
Impairment Losses recognised	(16,930,242)	-
Impairment Losses reversed	-	1 5,418,186
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	(27,272,275)	(10,342,033)

In determining the recoverability of a Trade or Other Receivable, the municipality considers any change in the credit quality of the Trade or Other Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

The impairment is the result of the municipality's evaluation of the outstanding debt that may possibly not be recovered. The decrease (reversal) recognised in the current year is due to more detail and reliable information being available in respect to the risk pertaining the individually debtors, in comparison to that of the previous year.

Provision for impairment of Trade and Other Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Included in the municipality's Trade and Other Receivables balance are debtors with a carrying amount of R32 720 426 (2011: R2 881 918) which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 14), which are not covering the total outstanding debt. The average age of these receivables is 318 days (2011: 282 days).

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

	2012 R	2011 R
3.4 Ageing of impaired Trade and Other Receivables from Exchange Transactions		
<i>Current:</i>		
0 - 30 Days	(449,691)	(491,615)
<i>Past Due:</i>		
31 - 60 Days	(683,662)	(498,811)
61 - 90 Days	(639,302)	(430,484)
+ 90 Days	(25,499,619)	(8,921,123)
Total	<u>(27,272,274)</u>	<u>(10,342,033)</u>

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	8,689,198	(2,370,718)	6,318,480
Sundry Deposits	109,610	-	109,610
Sundry Debtors	1,360,673	-	1,360,673
Total Trade and Other Receivables from Non-exchange Transactions	<u>10,159,481</u>	<u>(2,370,718)</u>	<u>7,788,763</u>
As at 30 June 2011			
Assessment Rates Debtors	6,141,520	(668,180)	5,473,340
Sundry Deposits	89,000	-	89,000
Sundry Debtors	1,630,105	-	1,630,105
Total Trade and Other Receivables from Non-exchange Transactions	<u>7,860,625</u>	<u>(668,180)</u>	<u>7,192,445</u>

Sundry Deposits are in respect of cash deposits amounting to R59 610 (2011: R39 000) made to fuel station for the supply of fuel and R50 000 (2011: R50 000) made to the S.A. Post Office for postal services.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

The average credit period for Trade and Other Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Trade and Other Receivables.

The municipality does not hold deposits or other security for its Trade and Other Receivables.

None of the Trade and Other Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables approximate their fair values.

4.1 Ageing of Trade and Other Receivables from Non-exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	628,456	193,265	162,003	7,705,473	8,689,198
Less: Provision for Impairment	(74,855)	(54,007)	(49,907)	(2,191,949)	(2,370,718)
Net Balances	553,601	139,258	112,097	5,513,524	6,318,480
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	109,610	109,610
Sundry Debtors:					
Gross Balances	1,360,673	-	-	-	1,360,673
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1,360,673	-	-	-	1,360,673

As at 30 June 2012 Trade and Other Receivables of R5 874 425 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

	31 - 60 Days	Past Due 61 - 90 Days	+ 90 Days	Total
All Other Trade Receivables:				
Gross Balances	193,265	162,003	7,815,083	8,170,352
Less: Provision for Impairment	(54,007)	(49,907)	(2,191,949)	(2,295,863)
Net Balances	139,258	112,097	5,623,134	5,874,489



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2011

	Current		Past Due		Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	668,176	217,211	162,188	5,093,945	6,141,520
Less: Provision for Impairment	(186,013)	(162,166)	(129,639)	(190,363)	(668,180)
Net Balances	482,163	55,045	32,549	4,903,582	5,473,340
Sundry Deposits:					
Gross Balances	-	-	-	8 9,000	89,000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	89,000	89,000
Sundry Debtors:					
Gross Balances	403,747	341,494	704,833	1 80,030	1,630,104
Less: Provision for Impairment	-	-	-	-	-
Net Balances	403,747	341,494	704,833	180,030	1,630,104

As at 30 June 2011 Trade and Other Receivables of R1 861 597 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due		Total
	31 - 60 Days	61 - 90 Days	+ 90 Days
All Other Trade Receivables:			
Gross Balances	5 58,705	867,021	5,362,975
Less: Provision for Impairment	(162,166)	(129,639)	(190,363)
Net Balances	396,539	737,382	5,172,612

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	565,226	59,576	3,654	-
<i>Past Due:</i>				
31 - 60 Days	184,373	5,239	3,652	-
61 - 90 Days	153,118	5,233	3,652	-
+ 90 Days	7,110,987	388,078	206,409	-
Sub-total	8,013,703	458,126	217,368	-
Less: Provision for Impairment	(2,295,606)	(75,176)	-	-
Total Rates Debtors by Customer Classification	5,718,097	382,951	217,368	-

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<i>Current:</i>				
0 - 30 days	505,015	129,683	22,740	10,738
<i>Past Due:</i>				
31 - 60 Days	153,906	36,935	25,330	1,041
61 - 90 Days	119,734	20,092	21,451	912
+ 90 Days	3,358,343	499,568	358,486	877,547
Sub-total	4,136,997	686,278	428,007	890,238
Less: Provision for Impairment	(668,180)	-	-	-
Total Rates Debtors by Customer Classification	3,468,817	686,278	428,007	890,238

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(668,180)	(3,548,565)
Impairment Losses recognised	(1,702,538)	-
Impairment Losses reversed	-	2,880,385
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	(2,370,718)	(668,180)

The Provision for Impairment on Trade and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The impairment is the result of the municipality's evaluation of the outstanding debt that may possibly not be recovered. The decrease (reversal) recognised in the current year is due to more detail and reliable information being available in respect to the risk pertaining the individually debtors, in comparison to that of the previous year.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Other Receivables from Nonexchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following loans and receivables are included in the total amount of the Provision for Impairment:

	2012 R	2011 R
Sundry Debtors	-	-
Rates Assessment Debtors	2,370,718	668,180
Total Provision for Impairment on Trade and Other Receivables	2,370,718	668,180



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
5. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	14,379,346	9,160,618
Bank Overdraft	<u>(5,154,118)</u>	<u>(4,020,092)</u>
Total Bank, Cash and Cash Equivalents	<u>9,225,228</u>	<u>5,140,526</u>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on- Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Current Investment Deposits

Call Deposits	8,062,686	207,287
Notice Deposits	<u>6,284,366</u>	<u>8,891,958</u>
Total Current Investment Deposits	<u>14,347,052</u>	<u>9,099,245</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,90 % to 5,50 % (2010: 6,20% to 8,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,40 % to 6,53 % (2010: 6,35 % to 7,48 %)per annum.

Deposits of R11 954 426 (2011: R2 325 390) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits attributable to Unspent Conditional Grants	<u>11,954,426</u>	<u>2,325,390</u>
Total Deposits attributable to Commitments of the Municipality	<u>11,954,426</u>	<u>2,325,390</u>

5.2 Bank Accounts

Cash in Bank	31,134	60,213
Overdraft	<u>(5,154,118)</u>	<u>(4,020,092)</u>
Total Bank Accounts	<u>(5,122,984)</u>	<u>(3,959,879)</u>

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081

Cash book balance at beginning of year	(4,020,092)	(1,728,280)
Cash book balance at end of year	<u>(5,154,118)</u>	<u>(4,020,092)</u>

Bank statement balance at beginning of year	176,498	4,442,406
Bank statement balance at end of year	<u>4,271,207</u>	<u>176,498</u>

Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007

Cash book balance at beginning of year	870	2,925
Cash book balance at end of year	<u>2,216</u>	<u>870</u>

Bank statement balance at beginning of year	1,061	2,925
Bank statement balance at end of year	<u>2,216</u>	<u>1,061</u>

ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162

Cash book balance at beginning of year	59,343	27,154
Cash book balance at end of year	<u>28,918</u>	<u>59,343</u>

Bank statement balance at beginning of year	59,343	27,154
Bank statement balance at end of year	<u>28,918</u>	<u>59,343</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

5. BANK, CASH AND CASH EQUIVALENTS (Continued)	2012 R	2011 R
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 052 997 314</i>		
Cash book balance at beginning of year	7,784	7,436
Cash book balance at end of year	<u>7,784</u>	<u>7,784</u>
Bank statement balance at beginning of year	7,784	7,436
Bank statement balance at end of year	<u>7,784</u>	<u>7,784</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 817</i>		
Cash book balance at beginning of year	2,607,670	2,436,847
Cash book balance at end of year	<u>-</u>	<u>2,607,670</u>
Bank statement balance at beginning of year	2,607,670	2,436,847
Bank statement balance at end of year	<u>-</u>	<u>2,607,670</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	6,070,801	5,673,116
Cash book balance at end of year	<u>6,070,801</u>	<u>6,070,801</u>
Bank statement balance at beginning of year	6,070,801	5,673,116
Bank statement balance at end of year	<u>6,070,801</u>	<u>6,070,801</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 199 059</i>		
Cash book balance at beginning of year	203,339	190,019
Cash book balance at end of year	<u>203,339</u>	<u>203,339</u>
Bank statement balance at beginning of year	203,339	190,019
Bank statement balance at end of year	<u>203,339</u>	<u>203,339</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	2,364	2,274
Cash book balance at end of year	<u>2,442</u>	<u>2,364</u>
Bank statement balance at beginning of year	2,364	2,274
Bank statement balance at end of year	<u>2,442</u>	<u>2,364</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212</i>		
Cash book balance at beginning of year	1,024	1,000
Cash book balance at end of year	<u>1,014</u>	<u>1,024</u>
Bank statement balance at beginning of year	1,024	1,000
Bank statement balance at end of year	<u>1,014</u>	<u>1,024</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440</i>		
Cash book balance at beginning of year	9,875	1,590,501
Cash book balance at end of year	<u>10,237</u>	<u>9,875</u>
Bank statement balance at beginning of year	9,875	1,590,501
Bank statement balance at end of year	<u>10,237</u>	<u>9,875</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 187 848 328</i>		
Cash book balance at beginning of year	1,089	1,000
Cash book balance at end of year	<u>1,000</u>	<u>1,089</u>
Bank statement balance at beginning of year	1,089	1,000
Bank statement balance at end of year	<u>1,000</u>	<u>1,089</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
5. BANK, CASH AND CASH EQUIVALENTS (Continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 814 279</i>		
Cash book balance at beginning of year	53,342	51,899
Cash book balance at end of year	<u>54,859</u>	<u>53,342</u>
Bank statement balance at beginning of year	53,342	51,899
Bank statement balance at end of year	<u>54,859</u>	<u>53,342</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 207 882 270</i>		
Cash book balance at beginning of year	1,021	2,793
Cash book balance at end of year	<u>1,002</u>	<u>1,021</u>
Bank statement balance at beginning of year	1,021	2,793
Bank statement balance at end of year	<u>1,002</u>	<u>1,021</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 223 682 147</i>		
Cash book balance at beginning of year	135,856	288,186
Cash book balance at end of year	<u>1,000</u>	<u>135,856</u>
Bank statement balance at beginning of year	135,856	288,186
Bank statement balance at end of year	<u>1,000</u>	<u>135,856</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 228 175 838</i>		
Cash book balance at beginning of year	2,772	722,539
Cash book balance at end of year	<u>1,007</u>	<u>2,772</u>
Bank statement balance at beginning of year	2,772	722,539
Bank statement balance at end of year	<u>1,007</u>	<u>2,772</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 233 114 081</i>		
Cash book balance at beginning of year	-	648,796
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	648,796
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 222 035 197</i>		
Cash book balance at beginning of year	-	1,000
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	1,000
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 813 663</i>		
Cash book balance at beginning of year	-	135,993
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	135,993
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 199 813 620</i>		
Cash book balance at beginning of year	-	1,000
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	1,000
Bank statement balance at end of year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
5. BANK, CASH AND CASH EQUIVALENTS (Continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 197 808 413</i>		
Cash book balance at beginning of year	-	2,024
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	2,024
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001</i>		
Cash book balance at beginning of year	2,308	-
Cash book balance at end of year	<u>2,673,620</u>	<u>2,308</u>
Bank statement balance at beginning of year	2,308	-
Bank statement balance at end of year	<u>2,673,620</u>	<u>2,308</u>
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>96,720</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>96,720</u>	<u>-</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>5,222,226</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>5,222,226</u>	<u>-</u>
Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.		
5.3 Cash and Cash Equivalents		
Cash Floats and Advances	<u>1,160</u>	<u>1,160</u>
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>1,160</u>	<u>1,160</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
6. OPERATING LEASE ASSETS		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	243,733	256,286
Operating Lease Revenue recorded	(44,179)	(12,553)
Operating Lease Revenue effected	-	-
Total Operating Lease Assets	199,554	243,733
Less: Amounts due for settlement within 12 months (Current Portion)	(78,931)	(43,480)
Total Operating Lease Assets	120,623	200,253

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 5 to 11 years (2011: 5 to 11 years), with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	389,581	362,959
2 to 5 years	503,042	832,703
More than 5 years	143,236	208,344
Total Operating Lease Arrangements	1,035,859	1,404,005

7. CURRENT PORTION OF LONG-TERM RECEIVABLES

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease in current year income of R44 179 (2011: R12 533).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

Sale of Property	-	13,438
	-	13,438

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture & Fittings	Machinery & Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2011	184,052,828	871,892,309	1,288,554	3,167,043	7,480,894	7,197,611	40,708	1,075,119,945
Cost	281,305,363	1,833,369,667	1,877,473	4,513,098	9,036,695	7,880,563	148,736	2,138,131,596
- Completed Assets	280,599,366	1,826,135,605	1,877,473	4,513,098	9,036,695	7,880,563	148,736	2,130,191,537
- Under Construction	705,997	7,234,062	-	-	-	-	-	7,940,059
Accumulated Impairment Losses	(1,765,894)	-	-	-	-	-	-	(1,765,894)
Accumulated Depreciation:	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,757)
- Cost/Revalued Amount	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,757)
Acquisitions	59,945	310,713	197,378	3,708,221	304,860	683,768	-	5,264,885
Capital under Construction - Additions:	-	13,252,107	-	-	-	-	-	13,252,107
- Cost	-	13,252,107	-	-	-	-	-	13,252,107
Additions	-	13,252,107	-	-	-	-	-	13,252,107
Impairment Losses	-	-	(868)	(14,371)	(1,870)	(68,088)	-	(85,196)
Depreciation:	(11,163,324)	(52,996,982)	(529,898)	(1,063,943)	(1,375,333)	(923,408)	(23,262)	(68,076,150)
- Based on Cost/Revalued Amount	(11,163,324)	(52,996,982)	(529,898)	(1,063,943)	(1,375,333)	(923,408)	(23,262)	(68,076,150)
Carrying value of Disposals:	-	-	(19,364)	(9,456)	(17,321)	-	-	(46,141)
- Cost	-	-	(146,488)	(28,945)	(49,861)	-	-	(225,295)
- Accumulated Depreciation	-	-	127,125	19,489	32,540	-	-	179,154
- Based on Cost/Revalued Amount	-	-	127,125	19,489	32,540	-	-	179,154
Carrying values at 30 June 2012	172,949,448	832,458,146	935,801	5,787,494	6,391,230	6,889,883	17,446	1,025,429,449
Cost	281,365,308	1,846,932,487	1,928,362	8,192,374	9,291,693	8,564,332	148,736	2,156,423,292
- Completed Assets	281,365,308	1,826,446,318	1,928,362	8,192,374	9,291,693	8,564,332	148,736	2,135,937,124
- Under Construction	-	20,486,168	-	-	-	-	-	20,486,168
Accumulated Impairment Losses	(1,765,894)	-	(868)	(14,371)	(1,870)	(68,088)	-	(1,851,090)
Accumulated Depreciation:	(106,649,966)	(1,014,474,340)	(991,693)	(2,390,509)	(2,898,593)	(1,606,360)	(131,290)	(1,129,142,753)
- Cost/Revalued Amount	(106,649,966)	(1,014,474,340)	(991,693)	(2,390,509)	(2,898,593)	(1,606,360)	(131,290)	(1,129,142,753)



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture & Fittings	Machinery & Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2010	195,012,677	915,977,849	1,668,163	3,918,683	3,545,196	2,912,441	65,591	1,123,100,599
Cost	279,435,047	1,824,712,503	1,809,770	4,465,025	3,998,904	3,246,521	148,736	2,117,816,507
- Completed Assets	279,435,047	1,824,712,503	1,809,770	4,465,025	3,998,904	3,246,521	148,736	2,117,816,507
Accumulated Depreciation:	(84,422,369)	(908,734,654)	(141,607)	(546,343)	(453,709)	(334,080)	(83,146)	(994,715,908)
- Cost/Revalued Amount	(84,422,369)	(908,734,654)	(141,607)	(546,343)	(453,709)	(334,080)	(83,146)	(994,715,908)
Acquisitions	1,164,319	1,423,102	88,521 51,144	5,046,612	4,904,357	-	12,678,056	
Capital under Construction - Additions:	7 05,997	7,234,062	-	-	-	-	-	7,940,059
- Cost	705,997	7,234,062	-	-	-	-	-	7,940,059
Additions	705,997	7,234,062	-	-	-	-	-	7,940,059
Impairment Losses	(1,765,894)	-	-	-	-	-	-	(1,765,894)
Depreciation:	(11,064,272)	(52,742,704)	(466,465)	(802,476)	(1,109,981)	(478,623)	(24,883)	(66,689,406)
- Based on Cost/Revalued Amount	(11,064,272)	(52,742,704)	(466,465)	(802,476)	(1,109,981)	(478,623)	(24,883)	(66,689,406)
Carrying value of Disposals:	-	-	(1,665)	(307)	(933)	(140,564)	-	(143,469)
- Cost	-	-	(20,818)	(3,071)	(8,822)	(270,315)	-	(303,026)
- Accumulated Depreciation	-	-	19,153	2,764	7,889	129,751	-	159,557
- Based on Cost/Revalued Amount	-	-	19,153	2,764	7,889	129,751	-	159,557
Carrying values at 30 June 2011	184,052,828	871,892,309	1,288,554	3,167,043	7,480,894	7,197,611	40,708	1,075,119,945
Cost	281,305,363	1,833,369,667	1,877,473	4,513,098	9,036,695	7,880,563	148,736	2,138,131,596
- Completed Assets	280,599,366	1,826,135,605	1,877,473	4,513,098	9,036,695	7,880,563	148,736	2,130,191,537
- Under Construction	705,997	7,234,062	-	-	-	-	-	7,940,059
Accumulated Impairment Losses	(1,765,894)	-	-	-	-	-	-	(1,765,894)
Accumulated Depreciation:	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,757)
- Cost/Revalued Amount	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,757)

The leased Property, Plant and Equipment is secured as set out in Note 20.

Refer to Appendices "B, C and E" for more detail on Property, Plant and Equipment, including those in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

8. PROPERTY, PLANT AND EQUIPMENT (Continued)	2012	2011
	R	R
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There is no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Assets pledged as security		
The municipality's obligations under Finance Leases (see Note 20) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
8.3 Impairment of Property, Plant and Equipment		
The total amount of R85 196 disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Land and Buildings	-	1,765,894
Other Assets: Computer Equipment	868	-
Other Assets: Furniture and Fittings	14,371	-
Other Assets: Motor Vehicles	68,087	-
Other Assets: Machinery and Equipment	1,870	-
Total Impairment of Property, Plant and Equipment	85,196	1,765,894

Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged, become redundant and idle.

The depreciation charge has been adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

8.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2011/2012:

Executive and Council	1,466	-
Finance and Administration	19,807	-
Community and Social Services	21,254	-
Health	659	-
Housing	72,741	-
Planning and Development	10,012	-
Roads and Transport	7,288	-
Electricity	7,105	-
Waste Management	56,682	-
Water	6,769	-
Total Decrease in Depreciation	203,783	-

The change in estimates will result in an increase of R203 783 in the depreciation expense in future periods.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

8.5 Land and Buildings carried at Fair Value

Land and Buildings were revalued to fair value by using the municipal valuation roll. The effective date of revaluation was 01 July 2009. The valuation was done by Uluntu Consultants, registered and independent valuers. The National Home Builders Registration Council indices, which indicate current building costs, were used to determine replacement values.

The following assumptions were used:

Discount Rate	7.80%	7.80%
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An independent valuation of the municipality's Land and Buildings was performed by Mr. D. Grobler, registered and independent valuers, to determine the fair value thereof. The valuation, which conforms to International Valuation Standards, was made on the basis of recent market transactions on arm's length terms. The effective date of the valuation is 1 July 2009.

The revaluation surplus was credited to the Revaluation Reserve in Net Assets. Refer to Note 24.

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>1,062,346</u>	<u>1,611,012</u>
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The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2011	1,611,012	1,611,012
Cost	1,795,143	1,795,143
Accumulated Amortisation	(184,131)	(184,131)
Acquisitions:	25,609	25,609
Cost	25,609	25,609
Amortisation:	(574,275)	(574,275)
Cost	(574,275)	(574,275)
Carrying values at 30 June 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)
	Computer Software	Total
Carrying values at 01 July 2010	1,706,878	1,706,878
Cost	1,743,301	1,743,301
Accumulated Amortisation	(36,423)	(36,423)
Acquisitions:	51,842	51,842
Purchased	51,842	51,842
Amortisation:	(147,708)	(147,708)
Purchased	(147,708)	(147,708)
Carrying values at 30 June 2011	1,611,012	1,611,012
Cost	1,795,143	1,795,143
Accumulated Amortisation	(184,131)	(184,131)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

2012	2011
R	R

9. INTANGIBLE ASSETS (Continued)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets have been pledged as security for any liabilities of the municipality.

The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

Computer Software	3 - 5 Years (2011: 3 - 5 Years)
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Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

9.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R925 000 (2011: R1 425 000).

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10. INVESTMENT PROPERTY

At Fair Value

<u>3,106,800</u>	<u>3,440,900</u>
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The movement in Investment Property is reconciled as follows:

Carrying values at the beginning of the year

3,440,900	3,440,900
------------------	------------------

Fair Value

3,440,900	3,440,900
-----------	-----------

Acquisitions during the Year

-	-
---	---

Depreciation during the Year

-	-
---	---

Disposals during the Year:

(334,100)	-
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At Cost

(334,100)	-
-----------	---

Carrying values at year end

3,106,800	3,440,900
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Fair Value

3,106,800	3,440,900
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Estimated Fair Value of Investment Property at 30 June

<u>3,106,800</u>	<u>3,440,900</u>
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. No contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements existed at year end.

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

There are no contractual obligations on Investment Property.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	157,910	157,910
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

Refer to Appendix "B" for more detail on Investment Property.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012	2011
	R	R
10. INVESTMENT PROPERTY (Continued)		
10.1 Investment Property carried at Fair Value		
<p>The circumstances surrounding the investment properties is considered annually to establish whether conditions and circumstances changed that may effect the fair value significantly. If such indications are identified, the investment properties are valued to establish the fair value thereof, by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.</p>		
<p>The following assumptions were used:</p>		
Discount Rate	7.80%	6.74%
11. HERITAGE ASSETS		
<p>The municipality held the following Heritage Assets:</p> <ul style="list-style-type: none"> Mayoral Chains Willis Jeep including Trailer (Fire Truck) Schreiner House St. Paul's Church Garden of Remembrance Grave of Swart Jan Vermeulen Steam Tractor Monument 		
<p>A list of all the Heritage Assets and the applicable location is available at the offices of the Municipality.</p>		
12. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	<u>10,940</u>	<u>7,678</u>
Short-term Listed Investments		
Total Investments		
All Investments	10,940	7,678
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	<u>10,940</u>	<u>7,678</u>
Market valuation of Listed Investments		
Listed Shares	<u>10,940</u>	<u>7,678</u>

Listed Shares are 2,000 shares held in OVK with no specific maturity dates or interest rates. The value was determined by using the active market value as at yearend.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

13. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:			-
Other Loans			-
Total Long-term Receivables			1,164

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Sale of Property	42,402	-	42,402
Other Loans	1,162	-	1,162
	43,564	-	43,564
Less: Current Portion transferred to Current Receivables:			(13,438)
Sale of Property			(13,438)
Total Long-term Receivables			30,126

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

13.1 Ageing of Long-term Receivables

Current:

0 - 30 days	-	-
-------------	---	---

Past Due:

31 - 60 Days	-	-
--------------	---	---

61 - 90 Days	-	-
--------------	---	---

91 - 120 Days	-	-
---------------	---	---

+ 120 Days	1,164	30,126
------------	-------	--------

Total	1,164	30,126
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NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
14. CONSUMER DEPOSITS		
Electricity and Water	1,781,959	1,710,596
Total Consumer Deposits	<u>1,781,959</u>	<u>1,710,596</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

15. CURRENT PORTION OF RETIREMENT BENEFIT LIABILITIES		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	1,282,656	1,091,123
Current Portion of Retirement Benefit Liabilities	<u>1,282,656</u>	<u>1,091,123</u>

The movement in liability are reconciled as follows:

	Post-retirement R
30 June 2012	
Balance at beginning of year	1,091,123
Transfer from non-current	-
Contributions to liability	1,911,533
Expenditure incurred	-
Balance at end of year	<u>1,282,656</u>
30 June 2011	
Balance at beginning of year	922,225
Transfer from non-current	-
Contributions to liability	168,898
Expenditure incurred -	-
Balance at end of year	<u>1,091,123</u>

16. CREDITORS FROM EXCHANGE TRANSACTIONS		
Trade Creditors	2,641,528	604,151
Payments received in Advance	1,257,370	797,218
Staff Bonuses	1,174,230	1,312,937
Staff Leave Accrued	4,525,533	4,172,548
Sundry Deposits	199,745	180,501
Other Creditors	2,205,156	1,146,951
Total Creditors from Exchange Transactions	<u>12,003,563</u>	<u>8,214,306</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

2012	2011
R	R

16. CREDITORS FROM EXCHANGE TRANSACTIONS (Continued)

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The balance is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

17. CREDITORS FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	772,728	728,078
Total Creditors	772,728	728,078

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

18.1 Conditional Grants from Government	11,954,426	2,325,389
National Government Grants	4,768,432	2,007,602
Provincial Government Grants	7,146,807	278,600
Other Spheres of Government	39,188	39,188
Total Conditional Grants and Receipts	11,954,426	2,325,389

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 29 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
19. VAT PAYABLE		
VAT Payable is the Net Payable from all VAT Control Accounts, excluding VAT on Debtor Services and the VAT Suspend Account included in Creditors (Payables), and must agree to the VAT201 Return.		
VAT Payable	<u>2,189,259</u>	<u>4,036,539</u>
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to Value-Added-Tax Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
20. LONG-TERM LIABILITIES		
Annuity Loans	10,743,580	12,766,499
Finance Lease Liabilities	23,604	51,120
Sub-total	<u>10,767,184</u>	<u>12,817,619</u>
Less: Current Portion transferred to Current Liabilities:	(2,256,675)	(2,024,986)
Annuity Loans	(2,233,071)	(1,997,470)
Finance Lease Liabilities	(23,604)	(27,516)
Total Long-term Liabilities	<u>8,510,509</u>	<u>10,792,632</u>

20.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2011: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2011: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relate to IT Equipment with a lease term of 5 (2011: 5) years. The effective interest rate on Finance Leases is between 10.00% and 11.00% (2011: 10.00% and 11.00%). Capitalised Lease Liabilities are secured over items of IT Equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

20.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 11.00% and 12.00% (2011: 11.00% and 12.00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

20. LONG-TERM LIABILITIES (Continued)

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	23,759	33,497	23,604	27,516
In the second to fifth years, inclusive	-	58,620	-	23,604
	<u>23,759</u>	<u>92,118</u>	<u>23,604</u>	<u>51,120</u>
Less: Future Finance Obligations	(155)	(41,017)		
Present Value of Minimum Lease Obligations	<u>23,604</u>	<u>51,100</u>	<u>23,604</u>	<u>51,120</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(23,604)	(27,516)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	<u>23,604</u>

The municipality has finance lease agreements for the following significant classes of assets:

- IT Equipment

Included in these classes are the following significant leases:

(i) IT Equipment

- Instalments are payable monthly in advance

- Average period outstanding

0 months 0 months

- Average effective interest rate

10.00% 10.00%

- Average monthly instalment

R 2,637.60 R 2,637.60

20.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

	2012 R	2011 R
21. RETIREMENT BENEFIT LIABILITIES		
21.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	26,598,730	21,403,686
Contributions to Liability	1,091,123	9,222,225
Increase due to Discounting	2,263,243	1,920,641
Benefits Paid	(874,536)	(727,872)
Expenditure incurred	-	-
Reduction due to Re-measurement	-	-
Net Expense recognised in the Statement of Financial Performance	-	-
Actuarial (Gains) /Losses	<u>(3,169,875)</u>	<u>3,080,050</u>
Balance at end of Year	25,908,685	26,598,730
Transfer to Current Portion of Retirement Benefit Liabilities	<u>(1,282,656)</u>	<u>(1,091,123)</u>
Total Post-retirement Health Care Benefits Liability	<u>24,626,029</u>	<u>25,507,607</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
21. RETIREMENT BENEFIT LIABILITIES (Continued)		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Arch Actuarial Consultants, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	48	50
In-service Non-members (Employees)	253	266
Continuation Members (Retirees, widowers and orphans)	28	33
Total Members	329	349
The liability in respect of past service has been estimated as follows:		
In-service Members	15,073,968	14,771,915
Continuation Members	10,834,717	11,826,815
Total Liability	25,908,685	26,598,730
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
<ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed 		
The Current-service Cost for the year ending 30 June 2012 is estimated to be R1 091 123 whereas the cost for the ensuing year is estimated to be R1 282 656 (2011: R922 225 and R1 091 123 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.90%	8.65%
Health Care Cost Inflation Rate	6.97%	7.31%
Net Effective Discount Rate	0.87%	1.25%
Expected Rate of Salary Increase	5.98%	6.24%
Expected Retirement Age - Females	59	59
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	26,598,730	21,403,686
Current service costs	1,091,123	194,353
Interest cost	2,263,243	1,920,641
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(874,536)	-
Actuarial losses / (gains)	(3,169,875)	3,080,050
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of the Year	25,908,685	26,598,730
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	25,908,685	26,598,730

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
21. RETIREMENT BENEFIT LIABILITIES (Continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	25,908,685	26,598,730
Fair value of plan assets	-	-
	<u>25,908,685</u>	<u>26,598,730</u>
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	<u>25,908,685</u>	<u>26,598,730</u>
Total Benefit Liability	<u>25,908,685</u>	<u>26,598,730</u>

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

Current service cost	1,091,123	194,353
Interest cost	2,263,243	1,920,641
Benefits paid	(874,536)	
Actuarial losses / (gains)	<u>(3,169,875)</u>	<u>3,080,050</u>
Total Post-retirement Benefit included in Employee Related Costs (Note 33)	<u>(690,045)</u>	<u>5,195,044</u>

The history of the plan obligation is as follows:

	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	<u>25,908,685</u>	<u>26,598,730</u>	<u>21,403,686</u>	<u>15,950,527</u>
Deficit	<u>25,908,685</u>	<u>26,598,730</u>	<u>21,403,686</u>	<u>15,950,527</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	3,965,000	3,338,200
Effect on the defined benefit obligation	30,145,000	30,788,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2,865,100	2,443,600
Effect on the defined benefit obligation	22,466,000	23,186,000

The municipality expects to make a contribution of R1 282 656 (2011: R1 091 123) to the Defined Benefit Plans during the next financial year.

Refer to Note 55 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

22. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	<u>2,467,105</u>	<u>2,412,280</u>
Total Non-current Provisions	<u>2,467,105</u>	<u>2,412,280</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

22. NON-CURRENT PROVISIONS (Continued)

The movement in Non-current Provisions are reconciled as follows:

	Land-fill Sites R
30 June 2012	
Balance at beginning of year	2,412,280
Contributions to provision	-
Increase due to unwinding of discount	54,825
Expenditure incurred	-
	<u>2,467,105</u>
Transfer to current provisions	-
Balance at end of year	<u>2,467,105</u>
	Land-fill Sites R
30 June 2011	
Balance at beginning of year	809,646
Contributions to provision	1,602,634
Increase due to discounting	-
Expenditure incurred	-
	<u>2,412,280</u>
Transfer to current provisions	-
Balance at end of year	<u>2,412,280</u>

22.1 Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R2 467 105 (2011: R 2 412 280) million to restore the site at the end of its useful life, estimated to be in 2042. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

Management has included the best estimated amount at year end, but the actual amount is uncertain. This estimation is based on the assumption that the restoration will have to occur in 2042.

	2012 R	2011 R
23. LONG SERVICE AWARD		
Long Service Awards Liability	<u>2,606,021</u>	<u>2,307,237</u>
	<u>2,606,021</u>	<u>2,307,237</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Arch Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 295 (2011: 290) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R286 199, whereas the cost for the ensuing year is estimated to be R322 808 (2011: R263 649 and R286 199 respectively).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
23. LONG SERVICE AWARD (Continued)		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	6.32%	7.62%
Net Effective Discount Rate	0.32%	1.32%
Expected Rate of Salary Increase	5.98%	6.24%
Movements in the present value of the Long Service Award were as follows:		
Balance at the beginning of the year	2,307,237	-
Recognition of obligation	-	2,067,619
Current service costs	286,199	263,649
Interest cost	164,298	159,922
Benefit vesting	(323,311)	(219,883)
Actuarial losses / (gains)	171,598	35,930
Present Value of Fund Obligation at the end of the Year	2,606,021	2,307,237
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	2,606,021	2,307,237
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of Long Service Award	2,606,021	2,307,237
Total Benefit Liability	2,606,021	2,307,237
The amounts recognised in the Statement of Financial Performance are as follows:		
Recognition of obligation		2,067,619
Current service cost	286,199	263,649
Interest cost	164,298	159,922
Benefit vesting	(323,311)	(219,883)
Actuarial losses / (gains)	171,598	35,930
Total Post-retirement Benefit included in Employee Related Costs (Note 33)	298,784	2,307,237

The history of the plan obligation is as follows:

	2012 R	2011 R	2010 R	2009 R
Present Value of Long Service Award	2,606,021	2,307,237	-	-
Fair Value of Plan Assets	-	-	-	-
Deficit	2,606,021	2,307,237	-	-

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	476,590	447,037
Effect on the defined benefit obligation	2,768,000	2,444,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	426,962	402,318
Effect on the defined benefit obligation	2,458,000	2,183,000

The municipality expects to make a contribution of R322 808 (2011: R286 199) to the defined benefit plans during the next financial year.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
24. RESERVES		
Revaluation Reserve	186,444,178	198,634,515
Total Reserves	186,444,178	198,634,515

24.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

Reconciliation of the Revaluation Reserve:

Balance at beginning of year	198,634,515	210,814,974
Depreciation transferred to surplus	(12,190,337)	(12,180,460)
Balance at end of year	186,444,178	198,634,515

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

25. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus due to the results of Operations	872,899,642	917,579,450
Total Accumulated Surplus	875,152,435	919,832,243

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

26. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Residential	797,198,115	775,738,665	10,788,187	10,053,485
Commercial	177,013,456	190,427,157	2,317,851	2,498,121
Agricultural	1,172,727,179	1,027,191,600	16,019,889	13,070,094
State	99,038,593	92,937,089	1,350,569	1,171,077
Municipal	26,589,449	465,990	208,712	4,723
Rebates			(16,348,013)	(14,604,651)
Total Property Rates	2,272,566,792	2,086,760,501	14,337,195	12,192,849

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012	2011
	R	R

26. PROPERTY RATES (Continued)

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Agricultural Properties: 0.002274 c/R (2010/11: Increments)

All Other Properties: 0.013827 c/R (2010/11: 0.0130200 c/R)

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates owed.

27. FINES

Traffic Violations System	6,232,266	8,278,328
Spot and Other Fines	229,251	293,991
Electricity	241,652	126,277
	<u>6,703,169</u>	<u>8,698,596</u>

The amounts disclosed above for revenue from Fines Income are in respect of fines issued for traffic violations and electricity. A separate bank account is kept for TVS fines, which reconciled monthly.

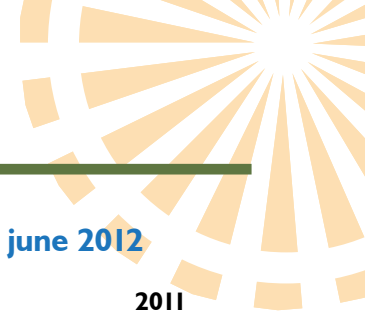
28. LICENCES AND PERMITS

Driver and learner licences	623,016	647,505
Roadworthy and other special permits	478,776	430,939
Other	5,404	7,981
	<u>1,107,196</u>	<u>1,086,425</u>

Licences and permits represents revenue generated by providing licensing services to drivers, roadworthy inspections of motor vehicles and all other services regulated by the Traffic Department.

29. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	30,439,000	28,011,262
Operational Grants	30,439,000	28,011,262
Conditional Grants	13,448,412	13,466,335
National: FMG	1,450,000	1,200,000
National: MIG	9,094,009	8,421,471
National: MSIG	790,000	750,000
National: DWAF	141,410	217,710
National: Minerals and Energy	260,000	540,000
Provincial: Sport, Arts and Culture	690,000	440,000
Provincial: Sport, Arts and Culture	-	977,821
Provincial: EPWP	-	249,334
Provincial: Housing Accreditation	218,056	510,000
Provincial: Department of Health	192,930	-
National: DWAF (EU funding)	330,736	-
National: DWAF (ACIP)	281,272	-
Provincial: Hydroponic Houses	-	160,000
Total Government Grants and Subsidies	<u>43,887,412</u>	<u>41,477,597</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
29.1 National: Equitable Share	30,439,000	28,011,262
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R171 (2011: R156), based on the monthly billing, towards the consumer account. The subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
Conditional Grants:		
29.2 National: FMG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,450,000	1,200,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,450,000)	(1,200,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Financial Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

29.3 National: MIG Funds		
Balance unspent at beginning of year	2,007,602	2,038,078
Repayment of unused funds	(178,000)	-
Current year receipts	13,306,000	9,570,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Own Income	(1,273,161)	(1,179,006)
Conditions met - transferred to Revenue: Capital Expenses	(9,094,009)	(8,421,471)
Conditions still to be met - transferred to Liabilities (see Note 18)	4,768,431	2,007,602

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

At year end, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This is due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at year end.

29.4 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	790,000	750,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(790,000)	(750,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2012	2011
	R	R
29.5 National: Department Water Affairs and Forestry (DWAF)		
Balance unspent at beginning of year	-	-
Current year receipts	141,410	217,710
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(141,410)	(217,710)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	-	-
This grant was used to cover the cost relating to the water testing. All conditions attached to the grant were met. No funds have been withheld.		
29.6 National: Department Minerals and Energy (DME)		
Balance unspent at beginning of year	-	-
Current year receipts	260,000	540,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(260,000)	(540,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	-	-
The DME allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.		
29.7 Provincial: Department of Housing		
Balance unspent at beginning of year	-	438,004
Current year receipts	-	5,964,750
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(20,000)	(7,467,708)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other transfers	20,000	1,064,954
Conditions still to be met - transferred to Liabilities (see Note 18)	-	-
This grant was allocated for eradication of the housing backlog that may exist within the Municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.		
29.8 Provincial: Department of Sports, Arts and Culture		
Balance unspent at beginning of year	150,000	-
Current year receipts	-	150,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	150,000	150,000
This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.		
At year end, not all conditions were met in respect to the upgrading of the library as all funds received were not spent. This is due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at year end.		



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
29.9 Provincial: Department of Sports, Arts and Culture		
Balance unspent at beginning of year	-	638,333
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(977,821)
Other transfers	-	339,488
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
This grant was used for the Sports and Recreation facilities. All conditions attached to the grant were met. No funds have been withheld.		
29.10 Provincial: Hydroponic Houses		
Balance unspent at beginning of year	128,600	-
Repayment of unused funds	(128,600)	-
Current year receipts	-	288,600
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(160,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>128,600</u>
The grant was received for the repair of the Hydroponic Vegetable Houses. All conditions attached to the grant were met. No funds have been withheld.		
29.11 Provincial: EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	-	249,334
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(249,334)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
The grant was received for the Employee Wellness Programme. All conditions attached to the grant were met. No funds have been withheld.		
29.12 Provincial: Department of Sports, Arts and Culture		
Balance unspent at beginning of year	-	-
Current year receipts	690,000	440,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(690,000)	(440,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
This grant was allocated for the upgrading of library equipment and operating expenses. All conditions attached to the grant were met. No funds have been withheld.		
29.13 Provincial: Department of Health		
Balance unspent at beginning of year	-	-
Current year receipts	7,189,737	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(192,930)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>6,996,807</u>	<u>-</u>
This grant was allocated for the construction of the electricity line for the new hospital (included in Appendix "B"). No funds have been withheld.		

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012	2011
	R	R
29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
At year end, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This is due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at year end.		
29.14 Provincial - Housing Accreditation		
Balance unspent at beginning of year	-	-
Current year receipts	218,056	510,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(218,056)	(510,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
This grant was allocated to improve capacity within the administration of the municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.		
29.15 National: Department Water and Forests (EU funding)		
Balance unspent at beginning of year	-	-
Current year receipts	330,736	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(330,736)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.		
29.16 National: Department Water and Forests (ACIP)		
Balance unspent at beginning of year	-	-
Current year receipts	281,272	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(281,272)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>
This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.		
29.17 Other Government		
Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>39,188</u>	<u>39,188</u>
The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant have not been met as the funds have not been spent. No funds have been withheld.		
29.18 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.		



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 june 2012

	2012 R	2011 R
30. SERVICE CHARGES		
Sale of Electricity	46,442,266	38,907,785
Sale of Water	15,575,091	13,370,895
Refuse Removal	4,946,593	4,695,605
Sewerage and Sanitation Charges	8,796,668	9,011,456
Other Service Charges	466,106	19,391
Total Service Charges	76,226,722	66,005,131
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
31. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Halls	561,034	544,807
Rental Revenue from Land	1,693	7,746
Rental Revenue from Other Facilities	24,374	13,049
Total Rental of Facilities and Equipment	587,101	565,603
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
32. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	223,361	175,921
	223,361	175,921
External Investments:		
Bank Account	45,715	136
Investments	539,321	891,260
Other Deposits	8	11,997
	585,044	903,394
Outstanding Debtors:		
Outstanding Billing Debtors	1,115,696	842,999
	1,115,696	842,999
Total Interest Earned	1,924,100	1,922,314
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	585,044	903,394
Loans and Receivables	1,339,057	1,018,921
	1,924,100	1,922,314
33. OTHER REVENUE		
Building Plan Fees	31,244	21,420
Cemetery Fees	227,622	166,341
Insurance Claims	201,458	275,837
Own Income VAT	1,292,959	1,179,006
Reconnection Fees	175,872	190,385
Profit on Secure Centre Project		905,603
Sundry Income	106,500	102,734
Sundry Levies	3,511,711	983,404
Impairment Reversal	-	16,373,133
Total Other Revenue	5,547,365	20,197,863

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
33. OTHER REVENUE (Continued)		
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 26 to 32, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
34. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	34,281,885	32,923,791
Basic Salaries and Wages	31,513,109	29,148,288
Leave Encashed	544,511	972,324
Contribution to Leave Fund	-	533,625
Service Bonuses	2,224,264	2,269,553
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8,052,590	7,714,277
Group Life	66,144	59,176
Medical	1,745,114	1,822,447
Pension	5,541,018	5,180,538
Industrial Council Levy	19,352	16,211
Skills Development Levy	378,174	354,304
UIF	302,788	281,601
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,986,716	1,909,253
Allowances	1,986,716	1,909,253
Housing Benefits and Allowances	109,463	110,895
Overtime Payments	2,187,656	1,330,999
Long-service Award Liability Expense:	298,784	2,307,237
Current service cost	286,199	2,331,268
Interest cost	164,298	159,922
Benefit vesting	(323,311)	(219,883)
Actuarial losses / (gains)	171,598	35,930
Defined Benefit Plan Expense:	(690,045)	5,195,044
Current Service Cost	216,587	194,353
Interest Cost	2,263,243	1,920,641
Net Actuarial (gains)/losses recognised	(3,169,875)	3,080,050
Total Employee Related Costs	46,227,048	51,491,497
Remuneration of Section 57 Employees (Key Management):		
Remuneration of the Municipal Manager		
Annual Remuneration	505,349	486,491
Performance Bonus	91,015	60,059
Car and Other Allowances	327,463	289,758
Company Contributions to UIF, Medical and Pension Funds	76,443	93,067
Total	1,000,270	929,374
Remuneration of the Chief Financial Officer		
Annual Remuneration	554,154	522,336
Performance Bonus	84,222	71,456
Car and Other Allowances	189,819	178,808
Company Contributions to UIF, Medical and Pension Funds	94,029	88,728
Total	922,225	861,328
Remuneration of the Director: Corporate, Community and Development Services		
Annual Remuneration	351,173	326,433
Performance Bonus	-	46,203
Car and Other Allowances	75,369	76,737
Company Contributions to UIF, Medical and Pension Funds	93,742	52,814
Total	520,284	502,187
The post was vacant for the period 01 March 2011 to 31 August 2011, for which period an Acting Allowance was paid.		



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
34. EMPLOYEE RELATED COSTS (Continued)		
Remuneration of the Director: Infrastructure and Housing Services		
Annual Remuneration	566,408	562,319
Performance Bonus	80,595	60,781
Car and Other Allowances	133,695	140,953
Company Contributions to UIF, Medical and Pension Funds	103,501	96,461
Total	884,199	860,514
35. REMUNERATION OF COUNCILLORS		
Mayor	591,626	565,115
Speaker	482,284	454,964
Councillors	1,995,640	1,943,276
Company Contributions to UIF, Medical and Pension Funds	213,480	127,301
Other Allowances (Cellular Phones and Motor)	138,216	132,486
Total Councillors' Remuneration	3,421,246	3,223,142
In-kind Benefits		
The Councillors occupying the positions of Mayor and Speaker of the municipality serve in a fulltime capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
36. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	68,059,142	66,689,405
Amortisation: Intangible Assets	591,283	147,708
Total Depreciation and Amortisation	68,650,425	66,837,113
37. IMPAIRMENT LOSSES		
37.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	85,195	1,765,894
Property, Plant and Equipment	85,195	1,765,894
	85,195	1,765,894
37.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	16,886,024	-
Consumer Debtors	16,886,024	-
Other Debtors	-	-
	16,886,024	-
Total Impairment Losses	16,971,219	1,765,894

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
38. REPAIRS AND MAINTENANCE		
Building and Structure	602,561	638,692
Cleaning of Suburbs	97,604	73,259
Computer Equipment	649,335	502,803
Electricity	1,414,772	1,943,567
Equipment and Tools	426,468	327,795
Fences	17,850	34,351
Landfill Site	54,825	-
Office Equipment	295,253	170,151
Roads	966,802	1,273,965
Sewerage	25,989	320,625
Solid Waste	35,525	24,028
Storm Water	333,034	319,471
Sundry	20,014	17,482
Vehicles and Machinery	1,397,021	1,185,145
Ward Projects	1,732,242	2,528,631
Water	609,931	354,356
	<u>8,679,226</u>	<u>9,714,320</u>

Repairs and maintenance represents costs incurred in normal business for repairs and maintenance required to ensure service delivery can be provided.

39. FINANCE COSTS

Bank Overdraft	1,497	10,669
External Loans	1,278,855	735,428
Finance Leases	4,135	8,759
Total Interest Expense	<u>1,284,487</u>	<u>754,856</u>
Less: Amounts included in the Cost of Qualifying Assets	-	-
Total Interest Paid on External Borrowings	<u>1,284,487</u>	<u>754,856</u>

40. BULK PURCHASES

Electricity	33,173,974	25,508,634
Water	931,628	870,952
Total Bulk Purchases	<u>34,105,602</u>	<u>26,379,586</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources within the municipal boundaries.

41. CONTRACTED SERVICES

Professional Fees	3,241,950	2,278,448
Security Services	947,368	1,043,216
Other Contracted Services	4,500,152	5,648,666
Total Contracted Services	<u>8,689,470</u>	<u>8,970,331</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
42. GRANTS AND SUBSIDIES PAID		
Community Projects	120,395	-
Other Grants and Subsidies Paid	667,777	567,870
Total Grants and Subsidies	788,172	567,870
The Accreditation Expenses are incurred by the municipality in order to further housing projects within the municipal boundaries. This represents a subsidy paid by the municipality to ensure the success of the respective housing projects.		
43. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	220,706	320,804
Assessment Rates and Municipal Charges	1,643,858	1,190,323
Audit Fees	1,882,181	1,436,821
Bank Charges	368,943	374,675
Branding of the Municipality	185,655	1,768,484
Cleaning Material	86,734	82,044
Conference Fees	10,695	17,602
Driving License Fees	47,475	44,819
Electricity Rural Water Pumps	1,048,997	898,505
Entertainment	143,952	183,641
Festivals	305,137	268,419
Fuel and Oil	2,526,519	1,967,607
Grave Excavations	67,723	28,500
HR Employee Wellness	372,459	85,201
Hiring of Equipment	1,005,022	1,005,153
IDP Review	23,220	103,364
Insurance	805,263	1,040,283
Internal Audit	119,693	122,908
Lease Charges	10,376	9,365
Legal Costs	189,075	47,635
Levies: SALGA	409,684	216,305
License Fees and Subscriptions	319,089	317,705
Magazines and Reference Work	965	22,291
Motor Vehicle Expenses	132,458	90,395
Performance Appraisal System	38,060	55,510
Printing and Stationery	947,115	1,053,007
Protective Clothing	66,789	193,348
Sundry Expenses	1,105,492	84,974
Strategic Planning Expenses	240,031	532,316
Telephone Cost	1,183,539	1,206,648
Tourism Strategy	357,858	530,138
Training Costs	102,007	216,981
Travelling and Subsistence	1,738,483	1,772,104
Water	274,425	207,483
Workmen's Compensation	2,592	36,907
Total General Expenses	17,982,271	17,532,266
44. OTHER GAINS AND LOSSES		
Change in Fair Value of Financial Assets designated as at FVTPL (See Note 13)	3,262	467
Net Other Gains and Losses	3,262	467

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

45. CORRECTION OF ERROR		2012 R	2011 R
Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2011 and 30 June 2012.			
Details of the adjustments are as follows:			
Statement of Financial Position:			
VAT Receivables	45.2; 45.4; 45.8; 45.14	-	3,274,007
Inventory	45.11; 45.13	45,986,510	45,388,485
Current Portion: Operating Lease Asset		43,480	43,480
Trade Receivables from Non-Exchange Transactions	45.22	40,831,218	2,750,563
Trade and Other Receivables from Exchange Transactions	45.4; 45.22	7,192,399	6,962,536
Transactions			
Current Portion: Long-term Receivables from Exchange Transactions		13,438	13,438
Cash and Cash Equivalents	45.2; 45.9; 45.10; 45.12	9,160,617	9,160,617
Property, Plant and Equipment	45.18 - 45.20	1,075,119,947	817,864,390
Intangible Assets	45.17	1,611,012	1,034,110
Investment Property	45.21	3,440,900	4,272,026
Non-Current Investments		7,678	7,678
Operating Lease Asset		200,253	200,253
Long-term Receivables from Exchange Transactions		30,127	30,126
Consumer Deposits	45.2; 45.9	(1,710,551)	(1,710,285)
Provisions		(1,091,123)	(1,091,123)
Creditors from Exchange Transactions	45.2 - 45.7; 45.14; 45.16	(8,214,306)	(7,632,374)
Creditors from Non-exchange Transactions	45.5	(728,078)	(693,399)
Unspent Conditional Grants and Receipts		(2,325,390)	(2,325,389)
VAT Payable	45.2; 45.4; 45.8; 45.14	(4,036,539)	-
Bank Overdraft	45.2; 45.9; 45.10; 45.12	(4,020,092)	(3,847,137)
Current Portion of Long-term Liabilities		(2,024,986)	(2,024,986)
Long-term Liabilities		(10,792,633)	(10,792,632)
Retirement Benefit Liabilities		(25,507,607)	(25,507,607)
Long Service Award		(2,307,237)	(2,307,237)
Non-current Provisions		(2,412,280)	(2,412,280)
Reserves	45.1	(198,634,515)	(271,306,949)
Accumulated Surplus / (Deficit) - Opening balance		(559,350,311)	(559,350,311)
Accumulated Surplus / (Deficit) - (Profit) / loss for the year		(11,838,358)	-
Accumulated Surplus - Prior Year Adjustments	45.1 - 45.14; 45.17 - 45.21	(348,643,575)	-
		<u>(0)</u>	<u>-</u>

Statement of Financial Performance:

Service Charges	45.8	3,884
Employee Related Costs	45.6; 45.16	47,586
Depreciation and Amortisation	45.17 - 45.20	19,128,143
Impairment Losses	45.15; 45.18; 45.22	-14,833,631
Repairs and Maintenance	45.8; 45.10	169,830
Contracted Services	45.8	-9,765
General Expenses	45.5; 45.8; 45.9	28,729
Other Income	45.22	-16,373,133
		<u>(11,838,358)</u>

45.1 Misstatement of Revaluation Reserve:

During the 2010/2011 financial year the municipality recognised and measured all land and buildings retrospectively as required by Directive 4. All land and buildings at 1 July 2009 were revalued which resulted in the recognition of a Revaluation Reserve. The accumulated depreciation at 1 July 2009 was however incorrectly allocated to the Accumulated Surplus balance and not the Revaluation Reserve balance as required.

The effect of the Correction of Error is as follows:**Statement of Financial Position:**

(Increase) / decrease in Accumulated Surplus	(78,866,514)	(78,866,514)
(Increase) / decrease in Revaluation Reserve	78,866,514	78,866,514
	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.2 Clearing of Bank Reconciliation items:		
During the 2011/2012 financial year the municipality cleared all "old" bank reconciling items. As these pertained to items identified during the GAMAP/GRAP conversion, these occurred prior to 1 July 2010 and was therefore cleared to the Accumulated Surplus opening at 1 July 2010.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(8,297)	(8,297)
(Increase) / decrease in Bank Overdraft	6,344	6,344
(Increase) / decrease in Consumer Deposits	855	855
Increase / (decrease) in VAT Receivable	137	137
(Increase) / decrease in Creditors from Exchange Transactions	961	961
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
45.3 Reconciliation of Transnet consumer debtor:		
During the current financial year the Transnet consumer debtor provided evidence that an outstanding balance of R496 492 was paid. On inspection it was found that this balance relates to services levied prior to 1 July 2010. During the GAMAP / GRAP conversion, these unallocated deposits were however allocated to the Accumulated Surplus.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	496,492	496,492
(Increase) / decrease in Trade Receivables from Exchange Transactions	(496,492)	(496,492)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
45.4 Indigent debtor not recognised in prior year:		
During the current financial year the municipality identified a debtor that qualified as an indigent debtor, but the services were never accounted for as such.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	3,886	-
Increase / (decrease) in VAT Receivable	544	544
(Increase) / decrease in Trade and Other from Exchange Transactions	(4,430)	(4,430)
	<u>-</u>	<u>3,886</u>
	<u>-</u>	<u>-</u>
Statement of Financial Performance:		
(Increase) / decrease in Service Charges	<u>-</u>	<u>3,886</u>
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.5 Prior year creditors not provided for:		
During the current financial year a number of creditors (which were paid in 2011/2012) were for expenses incurred in the 2010/2011 financial year. These were retrospectively corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	34,385	-
(Increase) / decrease in Creditors from Exchange Transactions	(34,385)	(34,385)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	34,385
	-	-
	-	-
45.6 Prior year provision for bonuses:		
The 2010/2011 provision for bonuses was subsequently corrected in order to ensure the balance is accurately reflected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(555,781)	-
(Increase) / decrease in Creditors from Exchange Transactions	555,781	555,781
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	(555,781)
	-	-
	-	-
45.7 Reversal of Land Sold receipt:		
During 2009/2010 property was sold to IS Leeuw. This transaction was however reversed in the current year and the receipts to date was refunded.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	5,077	5,077
(Increase) / decrease in Creditors from Non-exchange Transactions	(5,077)	(5,077)
	-	-
	-	-



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 june 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.8 Review of input VAT:		
During the year a VAT review was performed, which identified VAT that was not claimed. This has been corrected retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(31,117)	(5,532)
Increase / (decrease) in VAT receivable	31,117	31,117
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance		(1,670)
Increase / (decrease) in Contracted Services		(9,765)
Increase / (decrease) in General Expenses		(14,148)
(Increase) / decrease in Service Charges		(2)
	<u> -</u>	<u> -</u>
	<u> -</u>	<u> -</u>
45.9 Cheques cancelled in the 2011/2012 year:		
During the 2011/2012 financial year, cheques were cancelled which pertained to the 2010/2011 financial year. The retrospective corrections were made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	8,492	-
Increase / (decrease) in Cash and Cash Equivalents	(7,370)	(7,370)
(Increase) / decrease in Consumer Deposits	(1,122)	(1,122)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	8,492
	<u> -</u>	<u> -</u>
	<u> -</u>	<u> -</u>
45.10 Repairs and maintenance paid, but not recorded in financial records:		
During review of the bank reconciliation it was found that repairs and maintenance paid in the 2011 financial year was not recorded and was therefore still unreconciled on the bank reconciliation.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Cash and Cash Equivalents	(171,500)	(171,500)
(Increase) / decrease in Accumulated Surplus	171,500	
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance		171,500
	<u> -</u>	<u> -</u>
	<u> -</u>	<u> -</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.11 Land-held-for-sale balance at 1 July 2009 incorrect:		
While reviewing the 2011 and 2012 Property-held-for-Sale register, it was found that the initial amount accounted for (as per Directive 4) was misstated. This misstatement has been subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Inventory	817,960	817,960
(Increase) / decrease in Accumulated Surplus	<u>(817,960)</u>	<u>(817,960)</u>
	<u>-</u>	<u>-</u>
45.12 Reversal of RD cheque of previous financial year:		
Cheque from previous year was identified as RD cheque. This cheque was paid by a church in Johannesburg for the rent of the Hanover hall. The reversal of this cheque was subsequently accounted for.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Cash and Cash Equivalents	(429)	(429)
(Increase) / decrease in Accumulated Surplus	<u>429</u>	<u>429</u>
	<u>-</u>	<u>-</u>
45.13 Accounting for No-charge Items:		
The municipality inspected all inventory held in store and determined which items should not have formed part of the store as these are of a no charge nature. The necessary adjustment was made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Inventory	(219,935)	(219,935)
(Increase) / decrease in Accumulated Surplus	<u>219,935</u>	<u>219,935</u>
	<u>-</u>	<u>-</u>
45.14 Reconciliation of Property-held-for-sale register:		
The prepayments received for property sold were updated in the current year and adjusted retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Non-exchange Transactions	(29,602)	(29,602)
(Increase) / decrease in Accumulated Surplus	<u>29,602</u>	<u>29,602</u>
	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.15 VAT on provision for:		
During adjustments made to the 2011 Annual Financial Statements (as identified during the audit), the provision for doubtful debts was adjusted. The VAT portion of the adjustment was incorrectly accounted for resulting in the overstatement of the VAT balance at year end.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in VAT	(3,629,142)	(3,629,142)
(Increase) / decrease in Accumulated Surplus	3,629,142	
Statement of Financial Performance:		
Increase / (decrease) in Impairment Losses		3,629,142
	<u>-</u>	<u>-</u>
45.16 Provision for leave:		
Management investigated all annual leave transactions from 1 July 2010, which resulted in an adjustment being made to the annual leave provision.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	603,367	
(Increase) / decrease in Creditors from Exchange Transactions	(603,367)	(603,367)
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs		603,367
	<u>-</u>	<u>-</u>
45.17 Amortisation expense restated:		
During the review of the Intangible Asset Register, it was found that the amortisation expense for the 2011 financial year was overstated. This was subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(576,902)	(334,770)
Increase / (decrease) in Intangible Assets	576,902	576,902
Statement of Financial Performance:		
Increase / (decrease) in Amortisation Expense		(242,132)
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.18 Infrastructure assets reviewed and corrected:		
During the current financial year management reviewed all infrastructure assets based on the findings identified in the 2011 audit report. This resulted in a number of misstatements being identified that were subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(265,851,070)	(285,734,220)
Increase / (decrease) in Property, Plant and Equipment	265,851,070	265,851,070
Statement of Financial Performance:		
Increase / (decrease) in Depreciation Expense		20,121,699
Increase / (decrease) in Impairment Expense		(238,550)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
45.19 Movable assets identified:		
During the movable asset verification conducted in the current financial year, movable assets were identified that existed prior to 1 July 2010 which were not identified in the prior year verification.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(159,343)	(188,084)
Increase / (decrease) in Property, Plant and Equipment	159,343	159,343
Statement of Financial Performance:		
Increase / (decrease) in Depreciation Expense		28,741
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
45.20 Land & building assets reviewed and corrected:		
During the current financial year management reviewed all land and building assets based on the findings identified in the 2011 audit report. This resulted in a number of misstatements being identified that were subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	8,754,857	9,535,022
Increase / (decrease) in Property, Plant and Equipment	(8,754,857)	(8,754,857)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation Expense		(780,165)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
45.21 Investment property reviewed and corrected:		
During the current financial year management reviewed all investment properties based on the findings identified in the 2011 audit report. This resulted in a number of misstatement being identified that was subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	831,126	831,126
Increase / (decrease) in Investment Property	(831,126)	(831,126)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
45. CORRECTION OF ERROR (Continued)		
45.22 Prior year provision for impairment		
It was found that the prior year provision for debtor impairment was overstated. This has been subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(34,597,356)	
Increase / (decrease) in Trade Receivables from Exchange	33,868,722	33,868,722
Increase / (decrease) in Trade Receivables from Non-Exchange	4,441,836	4,441,836
Increase / (decrease) in VAT Receivable	(3,713,202)	(3,713,202)
Statement of Financial Performance:		
Increase / (decrease) in Bad Debts		(18,224,223)
(Increase) / decrease in Other Income		(16,373,133)
	<u>0</u>	<u>0</u>

46. CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

46.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation / amortisation method were reviewed at 30 June 2012. Adjustments to the useful lives effect the amount of depreciation and amortisation for the current year and are expected to effect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	203,785	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Intangible Assets	13,580	-
Increase / (Decrease) in Depreciation of PPE	<u>217,365</u>	<u>-</u>
Depreciation and Amortisation as previously stated	68,433,060	-
Adjustment due to Change in Accounting Estimate - PPE	203,785	-
Adjustment due to Change in Accounting Estimate - Intangible Assets	13,580	-
Depreciation and Amortisation as per Note 36	<u>68,650,425</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
47. CASH GENERATED BY OPERATIONS		
(Deficit) for the Year	(56,870,146)	(36,060,358)
Adjustment for:		
Depreciation and Amortisation	68,650,425	68,266,345
Impairment Losses on Property, Plant and Equipment	85,195	1,765,894
Gains on Disposal of Property, Plant and Equipment	44,914	(16,791)
Other Movement on Property, Plant and Equipment		(5,195,421)
Profit on Sale of Land	288,719	382,404
Other Movement on Non-current Investments	(3,262)	
Contribution to Retirement Benefit Liabilities	(690,045)	
Contribution to Provisions - Current	54,825	2,307,237
Contribution to Provisions - Non-current		6,797,678
Expenditure incurred from Provisions - Current		(533,625)
Expenditure incurred from Provisions - Non-current	298,784	
Contribution to Impairment Provision		18,224,223
Inventory Written-off	60,870	605,257
Dividends Received		(540)
Investment Income	(1,924,100)	(1,922,314)
Finance Costs	1,284,487	754,856
Operating surplus before working capital changes	11,280,666	55,374,844
Decrease/(Increase) in Inventories	(153,101)	114,661
Decrease/(Increase) in Trade Receivables from Exchange Transactions	1,686,709	(43,223,792)
Decrease/(Increase) in Trade Receivables from Non-exchange Transactions	(596,364)	(7,674,562)
Decrease/(Increase) in VAT Receivable	(1,847,280)	3,400,815
Decrease/(Increase) in Operating Lease Assets	44,179	12,553
Increase/(Decrease) in Consumer Deposits	71,363	76,137
Increase/(Decrease) in Creditors	3,833,908	(209,280)
Increase/(Decrease) in Conditional Grants and Receipts	9,629,036	(1,117,394)
Cash generated by Operations	23,949,115	6,753,982
48. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.		
49. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable on call:		
- Amount used	-	-
- Amount unused	1,000,000	1,000,000
- Debit Order facility for Debtors	1,000,000	1,000,000
- Credit Facility for Office Automation	1,000,000	1,000,000
	3,000,000	3,000,000
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	40,000
	50,000	40,000
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	50,000	50,000
Term Loan, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	9,506,000	9,506,000
	9,506,000	9,506,000



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
50. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 20)	10,767,184	12,766,499
Used to finance Property, Plant and Equipment - at cost	<u>(10,767,184)</u>	<u>(12,766,499)</u>
Sub-total	<u>-</u>	<u>-</u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

51.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance - -		
Unauthorised Expenditure current year	56,042,160	81,606,251
Approved by Council or condoned	(511,736)	(81,606,251)
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Unauthorised Expenditure awaiting authorisation	<u>55,530,424</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	
Housing: This was the result of business plans prepared for which the municipality did not budget.	Condoned by Council.

The unauthorised expenditure was calculated after excluding the impact of depreciation on the different votes.

51.2 Fruitless and Wasteful Expenditure

No Fruitless and Wasteful Expenditure were incurred for either the 2010/2011 or 2011/2012 financial years.

51.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	-	-
Irregular Expenditure current year	16,257,924	21,009,201
Condoned or written off by Council	(16,257,924)	(21,009,201)
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
The following instances of non-compliance were identified:	
Not obtaining the required number of quotations contributed R2 764 674; and	Condoned by Council.
Not obtaining tax clearance certificates and declaration of interest contributed R13 493 250.	Condoned by Council.

52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

52.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	409,684	216,305
Amount Paid - current year	<u>(409,684)</u>	<u>(216,305)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
52.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	1,882,181	1,436,821
Amount Paid - current year	<u>(1,882,181)</u>	<u>(1,436,821)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

52.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 19. All VAT returns have been submitted by the due date throughout the year.

52.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	4,802,587	4,557,433
Amount Paid - current year	<u>(4,802,587)</u>	<u>(4,557,433)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

52.5 Pension and Medical Aid Deductions

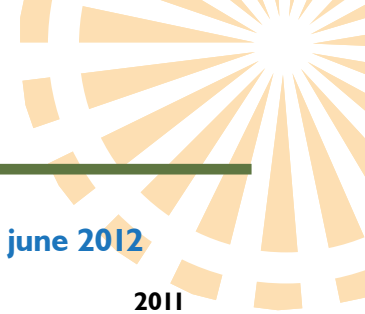
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	10,248,115	9,629,910
Amount Paid - current year	<u>(10,248,115)</u>	<u>(9,629,910)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

52.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2012		Total	Outstanding up to 90 days	Outstanding more than 90 days
Sthonga ST	Mayor	300	300	-
Freddie MM	Speaker	285	285	-
Kivedo MC	Ward 1	12,091	1,327	10,764
Jood J	Ward 2	1,901	1,341	560
Thomas NS	Ward 4	914	914	-
Du Plessis WJ	Ward 5	1,011	1,011	-
Witbooi WA	Proportional	1,040	805	235
Malherbe M	Proportional	988	988	0
Total Councillor Arrear Consumer Accounts		<u>18,530</u>	<u>6,970</u>	<u>11,559</u>

30 June 2011		Total	Outstanding up to 90 days	Outstanding more than 90 days
Sthonga ST	Mayor	8,174	965	7,209
Freddie MM	Speaker	583	583	-
Kivedo MC	Ward 1	186	186	-
Nyl GL	Ward 7	726	726	-
Witbooi WA	Proportional	299	299	-
Markman BK	Mayor (previous)	1,963	1,311	652
Eksteen EP	Speaker (previous)	514	514	-
Hendricks EG	Ward 1 (previous)	1,883	538	1,345
Max S	Proportional (previous)	9,686	1,879	7,807
White GA	Proportional (previous)	5	5	-
Total Councillor Arrear Consumer Accounts		<u>24,019</u>	<u>7,006</u>	<u>17,013</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2012		2012 R	2011 R
		Highest amount outstanding	Ageing
Sthonga ST	Mayor	4,086	> 90 Days
Kivedo MC	Ward 1	11,548	> 90 Days
Jood J	Ward 2	708	> 90 Days
Witbooi WA	Proportional	1,592	> 90 Days
Jaftha AF	Proportional	210	> 90 Days

30 June 2011		2011 R	2010 R
		Highest amount outstanding	Ageing
Sthonga ST	Mayor	7,209	> 90 Days
Nyl GL	Ward 7	15,089	> 90 Days
Markman BK	Mayor (previous)	652	> 90 Days
Max S	Proportional (previous)	7,807	> 90 Days
Hendricks EG	Ward 1 (previous)	1,345	> 90 Days

52.7 Non-Compliance with Chapter II of the Municipal Finance Management Act

No known matters existed at reporting date.

52.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations are identified and reported on a monthly basis. These deviations are only limited to the correct number of quotations that were not obtained. For the 2011/2012 financial year, these deviations amounted to R4 155 875. At year end, all payments were inspected and compared to the procurement requirements and all non-compliance items were listed as irregular expenditure, which included these deviations (where applicable). The Deviation Register is available for inspection at the municipality. Refer to Note 51.3.

52.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

Purchased during the year		units (kWh)	54,462,302	51,069,418
Sold during the year		units (kWh)	(42,284,880)	(40,222,706)
Unaccounted		units (kWh)	12,177,422	10,846,712
Normal distribution losses - % of electricity purchases	8.00%	units (kWh)	(4,356,984)	(4,085,553)
Loss		units (kWh)	<u>7,820,438</u>	<u>6,761,159</u>
Loss %			14.36%	13.24%
Loss (R):			4,770,467	3,380,579

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)
52.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA (Continued)*Calculated as follows :*

30 June 2012	%	Lost Units	Tariff	Value
Total Electricity Losses	100.00%	7,820,438	@	4,770,467
Household - sub	2.06%	160,916	0.6100	98,159
Household	21.99%	1,719,807	0.6100	1,049,082
Business	15.31%	1,197,306	0.6100	730,356
Rural	0.19%	14,973	0.6100	9,133
Large Consumers	13.19%	1,031,235	0.6100	629,053
Transnet	5.49%	429,476	0.6100	261,980
Streetlights	5.20%	407,008	0.6100	248,275
Departmental	1.11%	86,909	0.6100	53,014
Departmental - Large	0.01%	548	0.6100	334
Departmental - Rural	0.08%	5,945	0.6100	3,627
Departmental - Large	0.01%	652	0.6100	398
Pre-paid meters	35.36%	2,765,664	0.6100	1,687,055

30 June 2011

Total Electricity Losses	100.00%	6,761,159	@	3,380,579
Household - sub	1.91%	129,106	0.5000	64,553
Household	19.41%	1,312,468	0.5000	656,234
Business	14.49%	979,682	0.5000	489,841
Rural	0.22%	15,161	0.5000	7,580
Large Consumers	13.71%	927,056	0.5000	463,528
Transnet	5.73%	387,647	0.5000	193,824
Streetlights	7.22%	488,311	0.5000	244,155
Departmental	1.01%	67,983	0.5000	33,992
Departmental - Large	0.01%	431	0.5000	215
Departmental - Rural	0.08%	5,537	0.5000	2,768
Departmental - Large	0.01%	758	0.5000	379
Pre-paid meters	36.19%	2,447,019	0.5000	1,223,510

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water:

		Lost Units	Tariff	Value
30 June 2012	Unaccounted Water Losses	<u>479,141</u>	<u>0.33</u>	<u>156,054</u>
30 June 2011	Unaccounted Water Losses	<u>484,382</u>	<u>0.35</u>	<u>169,534</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

52.10 Non-Compliance with MFMA, as required by MFMA Section 125(2)(e)

The following sections of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) were not adhered to:

Section	Non-compliance
Section 66(c)	The travel, motor car, accommodation, subsistence and other allowances were not reported to the council in the prescribed reports in periods as required.
Section 64(2)(b)	The revenue due has not been calculated on a monthly basis.
Section 71(2)(a)	The reports did not include a projection of the municipality's revenue and expenditure for the rest of the financial year.

53. COMMITMENTS FOR EXPENDITURE

53.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Other

2012
R

2011
R

6,418,640

2,986,222

5,199,371

2,117,470

1,219,269

868,751

- Approved but Not Yet Contracted for:-

Infrastructure

937,476

-

937,476

-

Total Capital Commitments

7,356,115

2,986,222

This expenditure will be financed from:

Government Grants

7,356,115

2,986,222

7,356,115

2,986,222

53.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 20.

53.3 Other Commitments

The municipality has entered into a contract with E-Valuation for the preparation of the valuation roll and supplementary valuation roll, which will give rise to a total cost of approximately R1,792 million.

The municipality has entered into a contract with Fortogenic Solutions for Employee Wellness Programmes. The remaining outstanding balance as per tender amounts to R209,446.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS

54.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>	2012 R	2011 R
Non-current Investments			
Listed Investments	Loans and receivables	10,940	7,678
Long-term Receivables			
Sale of Erven	Loans and receivables	-	28,964
Other Loans	Loans and receivables	1,164	1,162
Receivables from Exchange Transactions			
Electricity	Loans and receivables	11,278,605	11,874,694
Refuse	Loans and receivables	4,300,924	4,386,743
Sewerage	Loans and receivables	8,905,796	9,589,038
Water	Loans and receivables	13,621,820	14,061,032
Other Debtors	Loans and receivables	1,037,408	919,752
Bank, Cash and Cash Equivalents			
Call Deposits	Loans and receivables	8,062,686	207,287
Notice Deposits	Loans and receivables	6,284,366	8,891,958
Bank Balances	Loans and receivables	31,134	60,213
Cash Floats and Advances	Loans and receivables	1,160	1,160
Current Portion of Long-term Receivables			
Sale of Erven	Loans and receivables	-	13,438
Receivables from Non-exchange Transactions			
Assessment Rates		6,318,480	5,473,340
Sundry Deposits		109,610	89,000
Sundry Debtors		1,360,673	1,630,105

SUMMARY OF FINANCIAL ASSETS

Held to maturity:

Short-term Investment Deposits	Short-term Portion of Investments	6,284,366	8,891,958
		<u>6,284,366</u>	<u>8,891,958</u>

Loans and Receivables

Long-term Receivables	Other Loans	1,164	1,162
Long-term Receivables	Sale of Erven	-	28,964
Receivables from Non-exchange Transactions	Assessment Rates	6,318,480	5,473,340
Receivables from Exchange Transactions	Electricity	11,278,605	11,874,694
Receivables from Exchange Transactions	Refuse	4,300,924	4,386,743
Receivables from Exchange Transactions	Sewerage	8,905,796	9,589,038
Receivables from Exchange Transactions	Water	13,621,820	14,061,032
Receivables from Exchange Transactions	Other Debtors	1,037,408	919,752
Receivables from Non-exchange Transactions	Sundry Deposits	109,610	89,000
Receivables from Non-exchange Transactions	Sundry Debtors	1,360,673	1,630,105
Current Portion of Long-term Receivables	Sale of Erven	-	13,438
Bank Balances and Cash	Bank Balances	31,134	60,213
Bank Balances and Cash	Cash Floats and Advances	1,160	1,160
Bank Balances and Cash	Call Deposits	8,062,686	207,287
Non-current Investments	Listed Investments	10,940	7,678
		<u>55,040,401</u>	<u>48,343,607</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
54. FINANCIAL INSTRUMENTS (Continued)		
Total Financial Assets	<u>61,324,767</u>	<u>57,235,565</u>

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	8,510,509	10,769,029
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	1,781,959	1,710,596
Creditors from Exchange Transactions			
Trade Creditors	Financial liabilities at amortised cost	2,641,528	604,151
Payments received in Advance	Financial liabilities at amortised cost	1,257,370	797,218
Staff Bonuses	Financial liabilities at amortised cost	1,174,230	1,312,937
Accrued Leave	Financial liabilities at amortised cost	4,525,533	4,172,548
Sundry Deposits	Financial liabilities at amortised cost	199,745	180,501
Other Creditors	Financial liabilities at amortised cost	2,205,156	1,146,951
Creditors from Non-exchange Transactions			
Payments received in Advance	Financial liabilities at amortised cost	772,728	728,078
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	5,154,118	4,020,092
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	2,233,071	1,997,470

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	8,510,509	10,769,029
Consumer Deposits	Electricity and Water	1,781,959	1,710,596
Creditors from Exchange Transactions	Trade Creditors	2,641,528	604,151
Creditors from Exchange Transactions	Payments received in Advance	1,257,370	797,218
Creditors from Exchange Transactions	Staff Bonuses	1,174,230	1,312,937
Creditors from Exchange Transactions	Accrued Leave	4,525,533	4,172,548
Creditors from Exchange Transactions	Sundry Deposits	199,745	180,501
Creditors from Exchange Transactions	Other Creditors	2,205,156	1,146,951
Creditors from Non-exchange Transactions	Payments received in Advance	772,728	728,078
Bank Overdraft	Bank Overdraft	5,154,118	4,020,092
Current Portion of Long-term Liabilities	Annuity Loans	2,233,071	1,997,470
Total Financial Liabilities		<u>30,455,947</u>	<u>27,439,571</u>

54.2 Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Bank, Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Non-current Investments

The fair values of some investments are estimated, based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)**Loan Receivables/Payables**

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and, therefore, the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed-interest-rate instruments are fair-valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The fair value of trade and other payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities.

	2012		2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	6,284,366	6,284,366	8,891,958	8,891,958
Current Portion of Investments	6,284,366	6,284,366	8,891,958	8,891,958
Loans and Receivables	55,040,401	55,040,401	48,343,607	48,343,607
Long-term Receivables	1,164	1,164	30,126	30,126
Trade and Other Receivables from Exchange Transactions	45,463,034	45,463,034	46,304,599	46,304,599
Trade and Other Receivables from Non-Exchange Transactions	1,470,283	1,470,283	1,719,105	1,719,105
Bank, Cash and Cash Equivalents	8,094,980	8,094,980	268,660	268,660
Non-current Investments	10,940	10,940	7,678	7,678
Current Portion of Long-term Receivables	-	-	13,438	13,438
Total Financial Assets	61,324,767	61,324,767	57,235,565	57,235,565



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL LIABILITIES				
Amortised Cost				
Unsecured Bank Facilities:	13,664,627	13,664,627	14,789,121	14,789,121
- Long-term Liabilities	8,510,509	8,510,509	10,769,029	10,769,029
- Bank Overdraft	5,154,118	5,154,118	4,020,092	4,020,092
Trade and Other Payables:	16,791,320	16,791,320	12,650,450	12,650,450
- Consumer Deposits	1,781,959	1,781,959	1,710,596	1,710,596
- Creditors from Exchange Transactions	12,003,563	12,003,563	8,214,306	8,214,306
- Creditors from Non-exchange Transactions	772,728	772,728	728,078	728,078
- Current Portion of Long-term Liabilities	2,233,071	2,233,071	1,997,470	1,997,470
Total Financial Liabilities	<u>30,455,947</u>	<u>30,455,947</u>	<u>27,439,571</u>	<u>27,439,571</u>
Total Financial Instruments	<u>30,868,819</u>	<u>30,868,819</u>	<u>29,795,994</u>	<u>29,795,994</u>
Unrecognised Gain / (Loss)		-		-

At the reporting date there are no significant concentrations of credit risk for Loans and Receivables at Fair Value. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such loans and receivables.

There were no reclassifications of financial assets during the financial period.

Assumptions used in determining fair value of Financial Assets and Financial Liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and the levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	2012			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value	10,940	-	14,379,346	14,390,286
Non-current Investments	10,940	-	-	10,940
Short-term Portion of Investments	-	-	6,284,366	6,284,366
Bank, Cash and Cash Equivalents	-	-	8,094,980	8,094,980
Total Financial Assets	<u>10,940</u>	<u>-</u>	<u>14,379,346</u>	<u>14,390,286</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012
54. FINANCIAL INSTRUMENTS (Continued)

	2012			Total R
	Level 1 R	Level 2 R	Level 3 R	
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value	-	-	10,292,468	10,292,468
Unsecured Bank Facilities:				
- Annuity Loans	-	-	8,510,509	8,510,509
- Consumer Deposits	-	-	1,781,959	1,781,959
Total Financial Liabilities	-	-	10,292,468	10,292,468
Total Financial Instruments	10,940	-	4,086,878	4,097,818
	2011			Total R
	Level 1 R	Level 2 R	Level 3 R	
FINANCIAL ASSETS				
Financial Instruments at Fair Value	7,678	-	9,160,618	9,168,296
Non-current Investments	7,678	-	-	7,678
Short-term Portion of Investments	-	-	8,891,958	8,891,958
Bank, Cash and Cash Equivalents	-	-	268,660	268,660
Total Financial Assets	7,678	-	9,160,618	9,168,296
	2011			Total R
	Level 1 R	Level 2 R	Level 3 R	
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value	-	-	16,499,717	16,499,717
Unsecured Bank Facilities:				
- Long-term Liabilities	-	-	10,769,029	10,769,029
- Bank Overdraft	-	-	4,020,092	4,020,092
- Consumer Deposits	-	-	1,710,596	1,710,596
Total Financial Liabilities	-	-	16,499,717	16,499,717
Total Financial Instruments	7,678	-	(7,339,099)	(7,331,421)

54.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 20, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 5 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing to 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	15,897,698	16,786,591
Bank, Cash and Cash Equivalents	8,094,980	268,660
Net Debt	23,992,678	17,055,251
Equity	1,179,365,684	1,049,322,116
Net debt to equity ratio	2.03%	1.63%



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 20.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

54.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Further quantitative disclosures are included throughout these financial statements.

54.5 Disclosure of significant risks

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its obligations, and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that financial assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 54.8 to the annual financial statements.

54.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

54.6.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 54.8 below.

Effect of a change in interest rate on interest bearing financial assets and liabilities:

<u>Financial Assets</u>	<u>Classification</u>	2012 R	2011 R
External investments:			
Call Deposits	Loans and receivables	8,062,686	207,287
Notice Deposits	Loans and receivables	6,284,366	8,891,958
Bank Balances	Loans and receivables	31,134	60,213
Cash Floats and Advances	Loans and receivables	1,160	1,160
		<u>14,379,346</u>	<u>9,160,618</u>

Interest received

Interest Earned - External Investments		<u>5 85,044</u>	<u>903,394</u>
Interest rate		<u>4.1%</u>	<u>9.9%</u>

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	3.1%	8.9%
Effect of change in interest rate	Rand value	<u>441,250</u>	<u>811,787</u>
Effect of change in interest rate	%	5.1%	10.9%
Effect of change in interest rate	Rand value	<u>728,837</u>	<u>995,000</u>

Outstanding debtors:

Consumer Debtors	Loans and receivables	45,463,034	46,304,599
Sundry Debtors	Loans and receivables	1,470,283	1,719,105
		<u>46,933,317</u>	<u>48,023,704</u>

Interest received

Interest Earned - Outstanding Debtors		<u>1,339,057</u>	<u>1,018,921</u>
Interest rate		<u>2.9%</u>	<u>2.1%</u>

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	1.9%	1.1%
Effect of change in interest rate	Rand value	<u>869,724</u>	<u>538,684</u>
Effect of change in interest rate	%	3.9%	3.1%
Effect of change in interest rate	Rand value	<u>1,808,390</u>	<u>1,499,158</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

		2012	2011
	<u>Classification</u>	R	R
Financial Liabilities			
Long-term Liabilities			
Annuity Loans	Amortised cost	8,510,509	10,769,029
Annuity Loans - current portion	Amortised cost	2,233,071	1,997,470
		<u>10,743,580</u>	<u>12,766,499</u>
Interest paid			
Long-term Liabilities		<u>1,278,855</u>	<u>735,428</u>
Interest rate %		<u>11.9%</u>	<u>5.8%</u>
Effect of a change in interest rate on interest paid on long-term liabilities			
Effect of change in interest rate	%	10.9%	4.8%
Effect of change in interest rate	Rand value	<u>1,171,419</u>	<u>607,763</u>
Effect of change in interest rate	%	12.9%	6.8%
Effect of change in interest rate	Rand value	<u>1,386,291</u>	<u>863,093</u>
Bank Overdrafts and Other			
Bank Overdraft	Amortised cost	5,154,118	4,020,092
		<u>5,154,118</u>	<u>4,020,092</u>
Interest paid			
Bank Overdrafts and Other		<u>1,497</u>	<u>10,669</u>
Interest rate %		<u>0.0%</u>	<u>0.3%</u>
Effect of a change in interest rate on interest paid on bank overdrafts and other			
Effect of change in interest rate	%	-1.0%	-0.7%
Effect of change in interest rate	Rand value	<u>-50,044</u>	<u>- 29,532</u>
Effect of change in interest rate	%	1.0%	1.3%
Effect of change in interest rate	Rand value	<u>53,038</u>	<u>50,869</u>

54.6.2 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

54.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/ Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

	2012	2011
	R	R

Receivables from exchange and non-exchange transactions

Trade and other receivables are amounts owing by consumers, and are presented net of impairment losses. The Municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness, subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- through the requirement of a deposit for new service connections, serving as guarantee
- through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	1,164	43,564
Consumer Debtors	75,106,027	57,314,812
Other Debtors	1,470,283	1,719,105
Bank, Cash and Cash Equivalents	14,379,346	9,160,618
Maximum Credit and Interest Risk Exposure	<u>90,956,820</u>	<u>68,238,100</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

Consumer debtors:		
Household	59%	59%
Industrial/Commercial	12%	12%
National and Provincial Government	15%	15%
Other consumer debtors	5%	5%
Other debtors:		
Other	9%	9%
	<u>100%</u>	<u>100%</u>

At 30 June 2012 the Municipality had 1,020 customers (2011: 1,410 customers) that owed the Municipality more than R10 000 each and accounted for approximately 26,47% (2011: 45,78%) of all receivables owing. There were 25 customers (2011: 23 customers) with balances greater than R100 000 accounting for just over 8,58% (2011: 21,72%) of the total amounts receivable.

The credit quality of the consumer Debtors, Rate Assessment Debtors and other receivables and Long-term Receivables have been determined by using their respective categories and was determined as follows:

	Household R	Business R	Government R	Indigents R	Total R
Consumer Debtors					
Very Good	2,110,418	1,105,516	1,598,761	-	4,814,695
Good	31,481,166	1,533,750	-	-	33,014,915
Average	6,887,173	3,087,863	-	-	9,975,036
Poor	-	-	-	-	-
Bad	256,448	50,383	-	-	306,831
Very Bad	-	-	-	16,749,586	16,749,586
	<u>40,735,205</u>	<u>5,777,511</u>	<u>1,598,761</u>	<u>16,749,586</u>	<u>64,861,063</u>
Rate Assessment and Other Receivables					
Very Good	-	-	-	-	-
Good	1,319,935	75,176	-	-	1,395,111
Average	10,162	-	-	-	10,162
Poor	-	-	-	-	-
Bad	430	-	-	-	430
Very Bad	-	-	-	965,079	965,079
	<u>1,330,527</u>	<u>75,176</u>	<u>-</u>	<u>965,079</u>	<u>2,370,782</u>
Long-term Receivables					
Very Good	-	1,164	-	-	1,164
Good	-	-	-	-	-
Average	-	-	-	-	-
Poor	-	-	-	-	-
Bad	-	-	-	-	-
Very Bad	-	-	-	-	-
	<u>-</u>	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>1,164</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

54.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 49 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R1 million is available and is unsecured. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	
30 June 2012								
Non-interest Bearing			10,032,717	10,032,717	-	-	-	-
- Consumer Deposits	14	0.00%	1,781,959	1,781,959	-	-	-	-
- Creditors from Exchange Transactions	16	0.00%	7,478,030	7,478,030	-	-	-	-
- Creditors from Non-exchange Transactions	17	0.00%	772,728	772,728	-	-	-	-
Variable Interest Rate Instruments			8,745,836	1,166,112	1,166,112	2,332,223	4,081,390	-
- ABSA Bank Ltd	20	9.70%	8,745,836	1,166,112	1,166,112	2,332,223	4,081,390	-
Fixed Interest Rate Instruments			4,639,147	486,124	486,124	972,248	2,694,650	-
- DBSA (1150 563)	20	10.00%	888,377	111,047	111,047	222,094	444,188	-
- DBSA (1150 566)	20	12.00%	3,750,770	375,077	375,077	750,154	2,250,462	-
			23,417,700	11,684,952	1,652,236	3,304,471	6,776,041	-



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	
30 June 2011								
Non-interest Bearing			6,480,431	6,480,431	-	-	-	-
- Consumer Deposits	14	0.00%	1,710,596	1,710,596	-	-	-	-
- Creditors from Exchange Transactions	16	0.00%	4,041,757	4,041,757	-	-	-	-
- Creditors from Non-exchange Transactions	17	0.00%	728,078	728,078	-	-	-	-
Variable Interest Rate Instruments			11,078,059	1,166,112	1,166,112	2,332,223	6,413,613	-
- ABSA Bank Ltd	20	9.70%	11,078,059	1,166,112	1,166,112	2,332,223	6,413,613	-
Fixed Interest Rate Instruments			5,611,395	486,124	486,124	972,248	2,916,745	750,154
- DBSA (1150 563)	20	10.00%	1,110,471	111,047	111,047	222,094	666,283	-
- DBSA (1150 566)	20	12.00%	4,500,924	375,077	375,077	750,154	2,250,462	750,154
			23,169,886	8,132,667	1,652,236	3,304,471	9,330,358	750,154
				6	6	12	36	

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

54. FINANCIAL INSTRUMENTS (Continued)

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	
30 June 2012								
Non-interest Bearing			46,965,616	46,964,452	-	-	-	1,164
- Long-term Receivables	13	0.00%	1,164	-	-	-	-	1,164
- Trade Receivables from Exchange Transactions	3	0.00%	39,144,555	39,144,555	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4	0.00%	7,788,763	7,788,763	-	-	-	-
- Cash and Cash Equivalents	5	0.00%	31,134	31,134	-	-	-	-
Variable Interest Rate Instruments			8,062,686	8,062,686	-	-	-	-
- Call Deposits 5			8,062,686	8,062,686	-	-	-	-
Fixed Interest Rate Instruments			6,284,366	6,284,366	-	-	-	-
- Notice Deposits	5			6,284,366	6,284,366	-	-	-
			61,312,668	61,311,504	-	-	-	1,164
30 June 2011								
Non-interest Bearing			48,127,482	48,083,917	-	-	-	43,564
- Long-term Receivables	13	0.00%	43,564	-	-	-	-	43,564
- Trade Receivables from Exchange Transactions	3	0.00%	40,831,259	40,831,259	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4	0.00%	7,192,445	7,192,445	-	-	-	-
- Cash and Cash Equivalents	5	0.00%	60,213	60,213	-	-	-	-
Variable Interest Rate Instruments			207,287	207,287	-	-	-	-
- Call Deposits	5		207,287	207,287	-	-	-	-
Fixed Interest Rate Instruments			8,891,958	8,891,958	-	-	-	-
- Notice Deposits	5		8,891,958	8,891,958	-	-	-	-
			57,226,727	57,183,162	-	-	-	43,564

The municipality has access to financing facilities, the total unused amount which is R1 million (2011: R1 million), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

54.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

55. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R5 310 466 (2011: R5 333 360) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R63,977 (30 June 2010: R190,464) million, with a funding level of 98,1% (30 June 2010: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 930,837 (30 June 2010: R7 740,205) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

Refer to Note 21 for the Employee Related Costs.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

56. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

56.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Jood J	Councillor	Buildsec
		O R Begrafnis Diens
		De Aar Construction
Freddie MM	Councillor	Britstown Small Farmers
Manuel MF	Chief Financial Officer	Qala Kancini Consultants
Visser I	Municipal Manager	Siyathemba Social Development Projects
Appies CP	Manager: Housing	KCA Trading Enterprise
Tshawe PB	Manager: Electro Technical Services	Phetha Electrical and Trade
		Intelimax
Alexander JRM	Manager: Corporate Services	Lezmin 2649
		Emthanjeni Fertilizer and Garden Service
Jack M	Supply Chain Accountant	Jack and Son's Transport

56.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R
For the Year ended 30 June 2012			
Councillors	22,999	58,168	2,775
Municipal Manager and Section 57 Personnel	18,225	34,789	8,017
Total Services	41,225	92,957	10,792
For the Year ended 30 June 2011			
Councillors	14,261	54,462	132
Municipal Manager and Section 57 Personnel	17,923	27,270	7,336
Total Services	32,183	81,732	7,467

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

56.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 34 and 35 respectively, to the Annual Financial Statements.

56.4 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012	2011
	R	R
57. CONTINGENT LIABILITIES		
57.1 Court Proceedings:	2,224,373	948,036
(i) Telkom:	37,607	-
The Municipality has been summonsed for an amount of R35 568. Should the Municipality lose this matter in court, the total amount to be paid will amount to the R37 607, including interest at 15.5% per month, calculated from 2012/02/16. The legal costs applicable is estimated to be R20 000.		
(ii) Cape Joint Pension Fund:	2,186,766	-
During the actuarial valuation performed on the fund, it was found that the interest on the total monies of the Fund was lower than 5.50% for the year ended June 2009. This resulted in Rule 17(5) being enforced by the Fund, resulting in the liability of R2 186 766 for the Municipality, as well as any additional interest to be charged from February 2010. The Municipality however opted to consent to the extension of the prescription period to afford the Fund an opportunity to find an amicable solution. The summons was withdrawn by the Fund, but the Fund reserved the right to claim the deficit from the Municipality.		
57.2 Landfill sites:	-	-
(i) Landfill sites:	-	-
The Municipality has three active landfill sites. It has been identified that the landfill sites situated in Britstown and Hanover are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In accordance with section 68(l) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(l)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made. The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.		
58. CONTINGENT ASSETS		
The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
59. IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any In-kind Donations and Assistance during the year under review.		
60. PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the financial year 2011/2012.		
61. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.		
62. COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Prior Period Errors (Note 45).		

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

	2012 R	2011 R
63. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE		
Net surplus/(deficit) per the statement of financial performance	(56,870,146)	(36,060,359)
Revenue from Non-exchange Transactions		
Property Rates	983,733	3,930,415
Property Rates - Penalties imposed and collection charges	(127,961)	(85,921)
Fines	1,821,069	286,534
Licences and Permits	(12,556)	(53,745)
Government Grants and Subsidies	4,563,588	2,652,231
Revenue from Exchange Transactions	-	-
Service Charges	(5,022,401)	5,928,337
Rental of Facilities and Equipment	(114,977)	(135,252)
Interest Earned - External investments	101,095	(256,094)
Interest Earned - Outstanding debtors	(409,736)	(176,999)
Dividends Received	-	(540)
Other Income	(3,205,813)	(19,474,805)
Other Gains on Continued Operations	(3,262)	(467)
Gains on Disposal of Property, Plant and Equipment	-	(11,791)
Expenditure		
Employee Related Costs	(1,313,924)	8,174,586
Remuneration of Councillors	81,377	(4,930)
Collection Costs	(177,385)	(167,344)
Depreciation	67,179,880	52,493,529
Impairment Losses	9,470,510	(5,547,285)
Repairs and Maintenance	(7,618,550)	(5,665,955)
Interest Paid	(222,623)	(880,620)
Bulk Purchases	77,335	(1,601,334)
Contracted Services	417,725	1,801,231
Grants and Subsidies Paid	(13,530,128)	(19,620,506)
General Expenses	(2,372,439)	(1,068,284)
Loss on Disposal of Property, Plant and Equipment	50,214	-
Loss on Sale of Land	288,719	382,404
Inventory Written-off	60,870	605,257
Net surplus/deficit per approved budget	<u>(5,905,787)</u>	<u>(14,557,708)</u>



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

64. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	14,337,195	15,320,928	(983,733)	(6.86)	No material fluctuations.
Property Rates - Penalties imposed and collection charges	223,361	95,400	127,961	57.29	Debtor recovery slower than planned, resulting in the interest increasing.
Fines	6,703,169	8,524,238	(1,821,069)	(27.17)	Fines income from TVS overbudgeted for.
Licences and Permits	1,107,196	1,094,641	12,556	1.13	No material fluctuations.
Government Grants and Subsidies	43,887,412	48,451,000	(4,563,588)	(10.40)	MIG projects not fully finalised, resulting in less conditions being met.
Service Charges	76,226,722	71,204,321	5,022,401	6.59	No material fluctuations.
Rental of Facilities and Equipment	587,101	472,123	114,977	19.58	Encroachment was over estimated, in contradiction with the 2011 amounts.
Interest Earned - External investments	585,044	686,138	(101,095)	(17.28)	Cash balances did not maintain the expected levels.
Interest Earned - Outstanding debtors	1,115,696	705,960	409,736	36.72	Debtor recovery slower than planned, resulting in the interest increasing.
Other Income	5,547,365	2,341,551	3,205,813	57.79	Provision for impairment on debtors resulted in income. VAT on MIG projects (own income) was not sufficiently budgeted for.
Other Gains on Continued Operations	3,262	-	3,262	100.00	Fair value adjustment of OVK shares were not budgeted for.
Gains on Disposal of Property, Plant and Equipment	-	5,300	(5,300)	(100.00)	Gains from auction was budgeted for, but auction was not as successful.
Total Revenue	150,323,523	148,901,601	1,421,922	0.95	
EXPENDITURE					
Employee Related Costs	(46,227,048)	(47,540,973)	1,313,924	(2.84)	No material fluctuations.
Remuneration of Councillors	(3,421,246)	(3,339,869)	(81,377)	2.38	No material fluctuations.
Collection Costs	-	(177,385)	177,385	(100.00)	Collection costs not incurred, as was the case in 2011.
Depreciation	(68,677,534)	(1,470,545)	(67,206,988)	97.86	Due to backlog depreciation, as was the case in 2011.
Impairment Losses	(16,971,219)	(7,500,709)	(9,470,510)	(100.00)	Due to decrease in provision for impairment on debtors balance (resulting in income being recognised).
Repairs and Maintenance	(8,679,225)	(16,297,775)	7,618,550	(87.78)	Less repairs than budgeted for.
Interest Paid	(1,284,487)	(1,507,110)	222,623	(17.33)	No new loans and default payments.
Bulk Purchases	(34,105,602)	(34,028,267)	(77,335)	0.23	No material fluctuations.
Contracted Services	(8,689,470)	(8,271,745)	(417,725)	4.81	No material fluctuations.
Grants and Subsidies Paid	(788,172)	(14,318,300)	13,530,128	(1,716.65)	Difference relates to incorrect classification.
General Expenses	(17,982,271)	(20,354,711)	2,372,439	(13.19)	Less general expenses than budgeted for.
Loss on Disposal of Property, Plant and Equipment	(44,914)	-	(44,914)	100.00	Gains from auction was budgeted for, but auction was not as successful.
Loss on Sale of Land	(288,719)	-	(288,719)	100.00	Sale of investment property was not budgeted for.
Inventory Written-off	(60,870)	-	(60,870)	100.00	Write-off of inventory was not budgeted for.
Total Expenditure	(207,220,777)	(154,807,388)	(52,413,389)	33.86	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(56,897,254)	(5,905,787)	(50,991,467)	(863.42)	

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2012

64. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) (Continued)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual R	2010/11 Budget R	2010/11 Variance R	2010/11 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	12,192,849	16,123,264	(3,930,415)	(32.24)	
Property Rates - Penalties imposed and collection charges	175,921	90,000	85,921	48.84	The increase in the outstanding debt interest relates to the high outstanding debt due to non-payment.
Fines	8,698,596	8,985,130	(286,534)	(3.29)	No material fluctuations.
Licences and Permits	1,086,425	1,032,680	53,745	4.95	No material fluctuations.
Government Grants and Subsidies	41,477,598	44,129,829	(2,652,231)	(6.39)	No material fluctuations.
Service Charges	66,005,131	71,933,468	(5,928,337)	(8.98)	No material fluctuations.
Rental of Facilities and Equipment	565,603	430,351	135,252	23.91	Encroachment was under estimated.
Interest Earned - External investments	903,394	647,300	256,094	28.35	During the year Emthanjeni invest in call accounts for money received but that was not committed within 30 days.
Interest Earned - Outstanding debtors	842,999	666,000	176,999	21.00	The increase in the outstanding debt interest relates to the high outstanding debt due to non-payment.
Dividends Received	540	-	540	100.00	Investment was unknown in the previous years.
Other Income	20,197,863	723,058	19,474,805	96.42	Prepaid sales increase because on conversions from conventional meters to prepaid. The VAT on MIG projects that has been recorded as income.
Other Gains on Continued Operations	467	-	467	100.00	Investment was unknown in the previous years.
Gains on Disposal of Property, Plant and Equipment	16,791	5,000	11,791	70.22	Gains from auction was budgeted for, but auction was not as successfull.
Total Revenue	152,164,178	144,766,080	7,398,098	5.11	
EXPENDITURE					
Employee Related Costs	(51,491,497)	(43,316,911)	(8,174,586)	15.88	Interest on the Post Retirement Benefits.
Remuneration of Councillors	(3,223,142)	(3,228,072)	4,930	(0.15)	No material fluctuations.
Collection Costs	-	(167,344)	167,344	(100.00)	No collection services were contracted.
Depreciation	(66,837,113)	(14,343,584)	(52,493,529)	78.54	The over commitment was mainly due to the measurement of PPE.
Impairment Losses	(1,765,894)	(7,313,179)	5,547,285	(314.13)	Increase due to non-payment of debtors accounts. See also the Interest on Outstanding Debtors.
Repairs and Maintenance	(9,714,320)	(15,380,275)	5,665,955	(58.33)	Part of the Ward Projects lead to the extension of the assets and we also receive a lot of rain that stifled the maintenance of the buildings. Big amounts has been capitalized due to the extension of the useful lives of assets.
Interest Paid	(754,856)	(1,635,476)	880,620	(116.66)	DBSA loan repaid during the year.
Bulk Purchases	(26,379,586)	(27,980,920)	1,601,334	(6.07)	No material fluctuations.
Contracted Services	(8,970,331)	(7,169,100)	(1,801,231)	20.08	TVS commission was under estimated, more revenue was received during the financial year.
Grants and Subsidies Paid	(567,870)	(20,188,376)	19,620,506	(3,455.11)	Difference relates to incorrect classification.
General Expenses	(17,532,266)	(18,600,550)	1,068,284	(6.09)	No material fluctuations.
Inventory Written-off	(605,257)	-	(605,257)	100.00	Write-off of inventory was not budgeted for.
Loss on disposal of Property, Plant and Equipment	(382,404)	-	(382,404)	100.00	Loss on transfer of property was not budgeted for.
Total Expenditure	(188,224,536)	(159,323,787)	(28,900,749)	18.14	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(36,060,359)	(14,557,707)	(21,502,651)	(147.71)	

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the Period		Redeemed/ Written Off during Period		Balance at 30 June 2012	
						R	R	R	R	R	R
ANNUITY LOANS											
DBSA	1,809,999	10.00%	1150 563	2016/03/31	878,449	-	-	143,438		735,011	
DBSA	4,981,693	12.00%	1150 566	2017/03/31	3,236,821	-	-	396,453		2,840,368	
ABSA	9,000,000	9.00%	30 3336 7955	2016/03/31	8,651,230	-	-	1,483,029		7,168,201	
Total Annuity Loans	15,791,692					12,766,500		- 2,022,920		10,743,580	
CAPITAL LEASE LIABILITIES											
Konica Minolta	116,308	6.12%	20161150001	05/04/2006	51,120	-	-	27,517		23,604	
Total Capital Lease Liabilities	116,308							27,517		23,604	
TOTAL EXTERNAL LOANS	15,908,000				12,817,620			2,050,437		10,767,184	

ANNUITY LOANS:**ABSA loan (30 3336 7955):**

Structured secured 5 year loan for the purchase of vehicles. Original loan capital of R9 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest of R194 352.

DBSA loan (1150 563):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R1 809 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R111 047.

DBSA loan (1150 566):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R4 981 693 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R375 077.

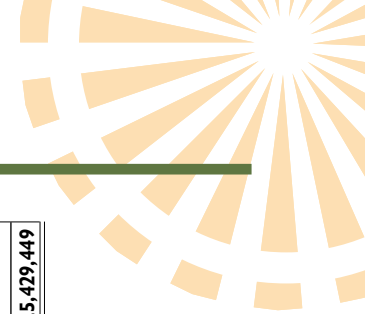
CAPITAL LEASE LIABILITIES:**Konica Minolta (20161150001):**

Lease liability relates to IT Equipment with lease terms of 5 (2010: 5) years. The effective interest rate on finance leases is between 10,00% and 11,00% (2010: 10,00 to 11,00%). The capitalised lease liability is secured by the equipment leased over the lease term.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Opening Balance		Additions		Under Construction		Transfers		Disposals		Closing Balance		Accumulated Depreciation / Impairment				Carrying Value					
	R		R		R		R		R		R		R		R		R					
Land and Buildings																						
Buildings	257,186,928		5 9,945		-		-		-		257,246,873		97,252,536		11,163,324		-		108,415,860		1 48,831,013	
Land	24,118,435		-		-		-		-		24,118,435		-		-		-		108,415,860		2 4,118,435	
	281,305,363		59,945		-		-		-		281,365,308		97,252,536		11,163,324		-		108,415,860		172,949,448	
Infrastructure																						
<i>Electricity:</i>																						
Electricity Network	216,822,899		171,557		192,930		-		-		217,187,387		114,299,109		8,565,958		-		122,865,068		94,322,319	
<i>Roads and Transport:</i>																						
Roads Network	810,619,437		-		2,223,537		-		-		812,842,974		435,338,777		19,076,079		-		454,414,857		358,428,117	
<i>Storm Water:</i>																						
Storm Water Network	391,957,181		-		8,816,514		-		-		400,773,696		215,576,450		7,837,944		-		223,414,394		1 77,359,302	
<i>Solid Waste:</i>																						
Landfill Site	2,777,242		-		-		-		-		2,777,242		-		92,575		-		92,575		2,684,667	
<i>Sewerage:</i>																						
Sanitation	102,748,700		100,239		183,100		-		-		103,032,039		52,643,178		3,070,006		-		55,713,184		47,318,855	
<i>Water:</i>																						
Water Network	308,444,208		38,916		1,836,026		-		-		310,319,149		143,619,844		14,354,419		-		1 57,974,886		1 52,344,886	
	1,833,369,667		310,713		13,252,107		-		-		1,846,932,487		961,477,358		52,996,982		-		1,014,474,340		832,458,146	
Other Assets																						
<i>Computer Equipment</i>																						
Computer Hardware Including Operating Systems	2,265,985		197,378		-		-		-		2,304,976		759,945		624,004		-		1,246,901		1,058,074	
<i>Transport Assets</i>																						
Bicycles	2,400		-		-		-		-		2,400		346		478,827		-		634		1,766	
Motor Vehicles	2,607,652		595,834		-		-		-		3,203,486		280,203		478,827		-		759,030		2,444,456	
Trailers And Accessories	222,655		77,035		-		-		-		299,690		38,065		28,041		-		66,107		233,583	
Trucks	5,049,407		10,899		-		-		-		5,060,306		364,757		484,804		-		849,560		4,210,745	
<i>Furniture And Office Equipment:</i>																						
Advertising Boards	8,149		3,332,999		-		-		-		3,341,148		2,470		224,440		-		226,910		3,114,237	
Air Conditioners Individual Fixed And Movable	166,309		166,500		-		-		-		328,709		65,774		56,761		-		119,306		209,403	
Domestic And Hostel Furniture	59,027		-		-		-		-		59,027		15,918		7,243		-		23,161		35,866	
Fixtures & Fittings	498,923		-		-		-		-		498,923		131,631		90,627		-		222,258		276,666	



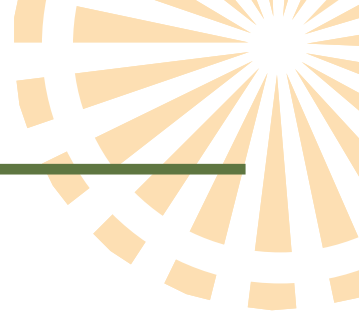
Description	Cost / Revaluation			Accumulated Depreciation / Impairment				Carrying Value				
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Transfers	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R
Office Equipment Including Fax Machines	905,623	9,368	-	-	(4,139)	910,853	280,468	156,474	-	(3,725)	433,217	477,636
Office Furniture	3,172,905	199,354	-	-	(20,706)	3,351,554	964,313	589,964	-	(12,535)	1,541,742	1,809,812
<i>Machinery And Equipment:</i>												
Audiovisual Equipment	274,470	26,250	-	-	(16,672)	284,048	72,486	49,834	-	(7,503)	114,818	169,230
Domestic Equipment (Non Kitchen Appliances)	107,497	14,679	-	-	(940)	121,236	38,164	30,377	-	(741)	67,800	53,436
Electric Wire And Power Distribution Equipment (Compressors / Generators)	115,796	11,393	-	-	-	127,189	33,890	23,343	-	-	57,232	69,956
Fire Arms 29,440	-	-	-	-	29,440	7949	5,299	-	-	13,248	16,192	16,192
Fire Fighting Equipment	73,065	-	-	-	(2,850)	70,215	19,301	21,886	-	(1,773)	39,414	30,801
Gardening Equipment	105,548	40,047	-	-	(17,500)	128,095	30,344	30,429	-	(12,600)	48,173	79,972
Kitchen Appliances	140,405	13,663	-	-	-	154,068	47,033	25,544	-	-	72,578	81,490
Laboratory Equipment Agricultural	9,300	-	-	-	-	9,300	1,850	1,674	-	-	3,524	5,777
Laboratory Equipment Medical Testing	5,993	-	-	-	-	5,993	2,485	1,138	-	-	3,623	2,370
Machines For Textile Production	1,393	-	-	-	-	1,393	376	125	-	-	501	892
Medical And Allied Equipment	311,233	-	-	-	-	311,233	6,395	5,622	-	-	12,017	19,216
Meters Prepaid	34,819	-	-	-	-	34,819	7,415	9,416	-	-	16,831	17,988
Music Instruments	130,000	-	-	-	-	130,000	35,100	11,700	-	-	46,800	83,200
Pumps, Plumbing, Purification, Sanitation And Allied Equipment	611,768	2,730	-	-	-	614,498	178,896	109,064	-	-	287,960	326,538
Radio Equipment	50,889	2,279	-	-	-	53,168	15,227	9,804	-	-	25,031	28,137
Road Construction And Maintenance Equipment	5,133,907	-	-	-	-	5,133,907	435,579	461,601	-	-	897,180	4,236,726
Security & Access Control Units	87,600	41,579	-	-	-	129,179	3,942	9,963	-	-	13,905	115,274
Telecommunication Equipment	510,615	-	-	-	-	510,615	140,827	153,185	-	-	294,012	216,603
Workshop Equipment And Loose Tools Fixed	96,152	-	-	-	-	96,152	27,189	16,935	-	-	44,124	52,028
Workshop Equipment And Loose Tools Movable	947,639	152,240	-	-	-	1,099,879	281,001	275,045	-	-	556,046	543,833
	23,456,566	4,894,226	-	-	(225,295)	28,125,497	4,289,339	3,993,457	-	(179,154)	8,103,643	20,021,855
Total	2,138,131,596	5,264,885	13,252,107	-	(225,295)	2,156,423,292	1,063,019,233	68,153,763	-	(179,154)	1,130,993,843	1,025,429,449

APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals
Investment Properties	R	R	R	R	R	R	R	R	R	R	R
Land	3,440,900	-	-	-	(334,100)	3,106,800	-	-	-	-	-
	3,440,900	-	-	-	(334,100)	3,106,800	-	-	-	-	-
											3,106,800
											3,106,800

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 June 2012

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R
Computer Software	1,795,143	25,609	-	-	-	1,820,751	184,131	574,275	-	-	758,406
	1,795,143	25,609	-	-	-	1,820,751	184,131	574,275	-	-	758,406
Total Asset Register	2,143,367,638	5,290,493	13,252,107	-	(559,395)	2,161,350,844	1,063,203,364	68,728,039	-	(179,154)	1,131,752,249
											1,029,598,594



APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation			Accumulated Depreciation / Impairment			Carrying Value		
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance		Disposals	Closing Balance
	R	R	R	R	R	R	R	R	
Executive and Council	452,406	451,640	-	-	904,047	117,136	173,829	290,965	613,081
Finance and Administration	2,015,913	597,274	-	(39,469)	2,337,357	607,915	522,399	1,085,337	1,470,486
Planning and Development	281,305,363	59,945	-	-	309,381,407	97,252,536	11,163,324	120,590,505	172,949,448
Health	148,791	-	-	-	148,791	48,800	27,109	75,909	72,882
Community and Social Services	5,024,572	211,237	-	(40,401)	5,195,409	1,260,744	997,133	2,233,358	2,962,051
Housing	12,592,828	3,627,225	-	(15,611)	16,126,691	1,856,902	1,892,869	3,718,471	12,462,386
Public Safety	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-
Waste Management	105,525,942	100,239	183,100	-	105,768,681	52,643,178	3,162,581	55,805,203	50,003,523
Roads and Transport	395,179,236	6,850	9,571,802	(112,314)	404,645,575	215,966,710	8,225,644	224,090,017	179,800,270
Water	308,444,208	38,916	1,836,026	-	310,280,233	143,619,844	14,354,419	157,973,690	152,344,886
Electricity	1,027,442,336	171,557	1,661,179	-	1,035,620,711	549,637,886	27,642,038	581,026,551	452,750,435
Other	-	-	-	-	-	-	-	-	-
Total	2,138,131,596	5,264,885	13,252,107	(207,795)	2,190,408,902	1,063,011,650	68,161,345	1,146,890,005	1,025,429,449

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	Vote Number	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R			R	R	R
1,971,758	(17,729,723)	(15,757,965)	Executive and Council		5,566,194	(9,717,798)	(4,151,604)
27,226,031	(18,505,858)	8,720,173	Finance and Administration		30,475,327	(23,668,337)	6,806,990
3,089,951	(8,002,556)	(4,912,606)	Planning and Development		4,034,155	(5,662,115)	(1,627,960)
249,334	(216,569)	32,766	Health		-	(169,232)	(169,232)
671,407	(3,990,336)	(3,318,929)	Community and Social Services		1,440,433	(5,029,292)	(3,588,859)
1,109,127	(4,039,478)	(2,930,351)	Housing		244,006	(4,016,068)	(3,772,062)
9,076,978	(9,016,131)	60,847	Public Safety		7,165,144	(7,829,276)	(664,132)
1,116,758	(1,463,793)	(347,034)	Sport and Recreation		79,423	(33,032,789)	(32,953,366)
-	-	-	Environmental Protection		-	-	-
23,795,472	(11,379,162)	12,416,310	Waste Management		24,722,347	(20,168,901)	4,553,446
17,029,836	(73,874,965)	(56,845,128)	Roads and Transport		618,791	(9,493,300)	(8,874,509)
16,296,925	(5,625,173)	10,671,752	Water		19,008,734	(32,776,305)	(13,767,571)
50,530,600	(32,760,795)	17,769,806	Electricity		56,968,969	(54,151,724)	2,817,245
-	(1,619,998)	(1,619,998)	Other		-	(1,478,531)	(1,478,531)
152,164,178	(188,224,536)	(36,060,358)	Sub-Total		150,323,523	(207,193,669)	(56,870,146)
-	-	-	Revenue Foregone		-	-	-
152,164,178	(188,224,536)	(36,060,358)	Total		150,323,523	(207,193,669)	(56,870,146)

APPENDIX E ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual		2011/12 Under Construction		2011/12 Total Additions		2011/12 Budget		2011/12 Variance		2011/12 Variance		Explanation of Significant Variances greater than 5% versus Budget
	R		R		R		R		R	%	R	%	
Executive and Council	451,640	-	-	-	451,640	-	631,000	(179,360)	(28.42)	631,000	(179,360)	(28.42)	Underspent in terms of budget.
Finance and Administration	597,274	-	-	-	597,274	-	2,598,000	(2,000,726)	(77.01)	2,598,000	(2,000,726)	(77.01)	Underspent in terms of budget.
Planning and Development	59,945	-	-	-	59,945	-	300,000	(240,055)	(80.02)	300,000	(240,055)	(80.02)	Underspent in terms of budget.
Community and Social Services	211,237	-	-	-	211,237	-	1,000,000	(788,763)	(78.88)	1,000,000	(788,763)	(78.88)	Underspent in terms of budget.
Housing	3,627,225	-	-	-	3,627,225	-	-	3,627,225	100.00	-	3,627,225	100.00	No budget allocated to Housing.
Public Safety	-	-	-	-	-	-	150,000	(150,000)	(100.00)	150,000	(150,000)	(100.00)	No expenditure incurred.
Waste Management	100,239	-	183,100	-	283,339	-	6,000,000	(5,716,661)	(95.28)	6,000,000	(5,716,661)	(95.28)	Allocation - refer to Roads and Transport.
Roads and Transport	6,850	-	9,571,802	-	9,578,652	-	3,228,000	6,350,652	196.74	3,228,000	6,350,652	196.74	Allocation - refer to Waste Management.
Water	38,916	-	1,836,026	-	1,874,942	-	6,331,000	(4,456,058)	(70.38)	6,331,000	(4,456,058)	(70.38)	Underspent in terms of budget.
Electricity	171,557	-	1,661,179	-	1,832,737	-	1,051,000	781,737	74.38	1,051,000	781,737	74.38	Due to Hospital Electricity Line being build.
Total	5,264,885	13,252,107	18,516,992	21,289,000	(2,772,008)	(13,02)							

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual		2010/11 Under Construction		2010/11 Total Additions		2010/11 Budget		2010/11 Variance		2010/11 Variance		Explanation of Significant Variances greater than 5% versus Budget
	R		R		R		R		R	%	R	%	
Executive and Council	2,585	-	-	-	2,585	-	30,000	(27,415)	(91.38)	30,000	(27,415)	(91.38)	Capital expenditure has been categorised correctly. See Community and Social
Services.	546,277	-	546,277	-	1,092,554	-	696,000	(149,723)	(21.51)	696,000	(149,723)	(21.51)	More expenditure were allocated against Repair and Maintenance.
Finance and Administration	45,510	-	45,510	-	91,020	-	16,000	29,510	184.44	16,000	29,510	184.44	All MIG capital Expenditure has realised. See Infrastructure below.
Planning and Development	63,611	-	63,611	-	127,222	-	18,000	45,611	253.39	18,000	45,611	253.39	See comment of Community and Social Services.
Health	1,370,195	-	1,370,195	-	2,740,390	-	-	1,370,195	100.00	-	1,370,195	100.00	Overspending is a result of correct categorisation.
Community and Social Services	1,416,404	-	1,416,404	-	2,832,808	-	-	1,416,404	100.00	-	1,416,404	100.00	Electrification of Sub economical houses has been completed. Hence Electricity budget vote was incorrectly allocated.
Housing	-	-	-	-	-	-	250,000	(250,000)	(100.00)	250,000	(250,000)	(100.00)	See comment of Other.
Public Safety	-	-	-	-	-	-	1,324,000	(1,324,000)	(100.00)	1,324,000	(1,324,000)	(100.00)	See comment of Other.
Sport and Recreation	-	-	-	-	-	-	-	-	100.00	-	-	100.00	See Planning and Development comment.
Environmental Protection	-	-	-	-	-	-	2,200,000	(2,200,000)	(100.00)	2,200,000	(2,200,000)	(100.00)	See Planning and Development comment.
Waste Management	2,616,234	-	2,616,234	-	5,232,468	-	2,882,000	(265,766)	(9.22)	2,882,000	(265,766)	(9.22)	Weather conditions lead to the under spending. More Repair and maintenance were performed.
Roads and Transport	6,334,366	-	6,334,366	-	12,668,732	-	7,665,000	(1,330,634)	(17.36)	7,665,000	(1,330,634)	(17.36)	See Planning and Development comment.
Water	123,171	-	123,171	-	246,342	-	2,223,000	(2,099,829)	(94.46)	2,223,000	(2,099,829)	(94.46)	See Planning and Development comment. Existing Prepaid meters were replaced without new connections.
Electricity	196,983	-	196,983	-	393,966	-	-	196,983	100.00	-	196,983	100.00	Lotto funding and other capital expenditure were classified under "Other".
Other	-	7,940,059	7,940,059	-	15,880,118	-	-	7,940,059	100.00	-	7,940,059	100.00	See Planning and Development comment.
Infrastructure	-	-	-	-	-	-	17,304,000	3,351,395	19.37	17,304,000	3,351,395	19.37	
Total	12,715,336	7,940,059	20,655,395	20,655,395	17,304,000	19,37							

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	12,683,000	10,146,000	7,610,000	-	12,683,000	10,146,000	7,610,000	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1,450,000	-	-	-	196,868	532,710	324,309	396,113	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Library Grant	Provincial	690,000	-	-	-	690,000	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSG	Nat Treasury	790,000	-	-	-	790,000	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Phandulwazi upgrade	Provincial	-	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG	Nat Treasury	5,500,000	5,000,000	-	2,806,000	67,300	2,752,424	3,058,741	4,488,705	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME	Provincial	260,000	-	-	-	260,000	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Housing Projects	Provincial	-	-	-	-	20,000	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Eradication Housing	Provincial	-	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Hydrophonic Houses	Provincial	-	-	-	-	-	-	128,600	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Fire Fighting Equipment	Provincial	-	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Hospital Electricity Line	Provincial	5,429,737	-	1,760,000	-	-	-	-	1 92,930	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWARF	Provincial	-	-	141,410	-	-	-	141,410	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Water Affairs (EU)	Provincial	-	-	-	330,736	-	-	-	330,736	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Housing Accreditation	Provincial	-	-	-	218,056	-	-	-	218,056	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Water Affairs (ACIP)	Provincial	-	-	-	281,272	-	-	-	281,272	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		26,802,737	15,146,000	9,511,410	3,636,064	14,707,168	13,431,134	11,263,060	5,907,812							



ANNEXURE B: REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE EMTHANJENI LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Emthanjeni Local Municipality as set out on pages 121 to 226, which comprise the appropriation statement, the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Aggregation of immaterial uncorrected misstatements

6. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance:
 - Accumulated surplus reflected as R875 152 435 is understated by R1 739 590.
 - Revenue reflected as R150 323 523 is overstated by R1 679 839.
 - Expenditure reflected as R207 193 669 (inclusive of employee related costs) is overstated by R 652 300.
 - Creditors from exchange transactions reflected as R12 003 563 is overstated by R539 701.
 - Receivables from exchange transactions reflected as R46 227 048 is understated by R248 966.

Opinion

7. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni Local Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP the applicable financial reporting framework and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

9. With reference to note 57.2 to the financial statements, the municipality has two active landfill sites which are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). The municipality has taken steps to obtain the required licences. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Material losses and impairments

11. As disclosed in note 52.9 to the financial statements, the municipality suffered a significant electricity loss of R4 770 467 during the year under review.
12. As disclosed in note 3 to the financial statements, a significant provision for the impairment of trade receivables from exchange transactions was created which constitutes 41% of the total trade and other receivables from exchange transactions balance.
13. As disclosed in note 4 to the financial statements, a significant provision for the impairment of trade receivables from non-exchange transactions was created which constitutes 23% of the total trade and other receivables from non-exchange transactions balance.

Unauthorised, fruitless and wasteful and irregular expenditure

14. As disclosed in note 51.3 to the financial statements, the municipality incurred irregular expenditure of R16 257 924.

Other matters

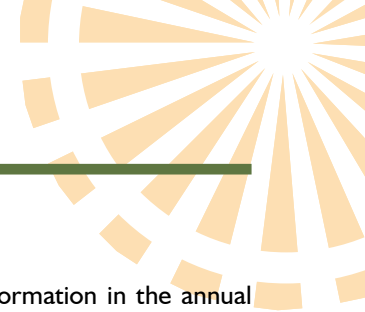
15. I draw attention to the matters below. Our opinion is not modified in respect of these matters. Material inconsistencies in other information included in the annual report
16. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

17. The supplementary information set out on pages 227 to 234, appendices A to F, does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. In accordance with the PAA and the *General Notice* issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.



Predetermined objectives

19. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 36 to 88 of the annual report.
20. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives/ development priorities or objectives. The usefulness of information further relates to whether indicators and targets are measurable i.e. well defined, verifiable, specific, measurable and time bound and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes/ objectives/ development priorities or objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Reliability of selected development priorities/objectives in the annual performance report

Validity, accuracy and completeness

Reported performance not valid, accurate or complete

21. The National Treasury Framework for managing programme performance information (FMPPPI) requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity of the actual reported performance relevant to 91% of the Basic Service Delivery, Provision of Infrastructure and Environmental Management development priorities/objectives. This was due to limitations placed on the scope of my work due to inadequate standard operating procedures to measure and record actual performance during the period.

Additional matters

22. I draw attention to the matters below. My conclusion is not modified in respect of these matters:

Achievement of planned targets

23. Of the total number of planned targets, only 60 were achieved during the year under review. This represents 20% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process. Furthermore, 39 of the total number of targets set for the year are in respect of objectives that are considered to be qualitatively material. Of these targets, 18% were not achieved during the year under review.

Compliance with laws and regulations

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements, performance and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of capital assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an except for opinion.

AUDIT COMMITTEE

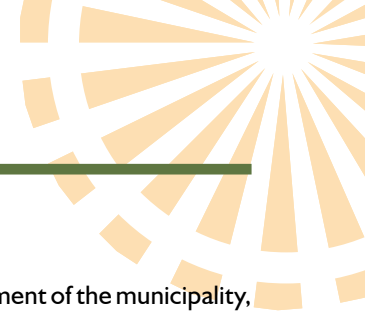
26. The audit committee did not adequately advise the council and accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the Municipal Finance and Management Act.
27. The audit committee did not adequately advise the council and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the Municipal Finance and Management Act.
28. The audit committee did not adequately advise the council and accounting officer on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 166(2)(a)(vii) of the Municipal Finance and Management Act.
29. The audit committee did not adequately review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA, DoRA and other applicable legislation, as required by section 166(2)(b) of the Municipal Finance and Management Act.
30. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the Municipal Finance and Management Act.
31. A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).

INTERNAL AUDIT

32. The internal audit unit did not function as required by section 165(2) of the Municipal Finance Management Act, in that the internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to procedures and practices and risk and risk management.
33. The internal audit unit did not report to the audit committee on matters relating to compliance with the Municipal Finance Management Act, the Division of Revenue Act and other applicable legislation, as required by section 165(2)(b) of the Municipal Finance Management Act.
34. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14(1)(a).
35. The internal audit unit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b) (ii) and (iii).
36. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

PROCUREMENT AND CONTRACT MANAGEMENT

37. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
38. Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as required by SCM regulation 28(2).
39. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.

**Human resource management and compensation**

40. Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of Municipal Systems Act.
41. The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) Municipal Systems Act.
42. The performance agreements of a senior manager who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by Municipal Regulations on Minimum Competency Levels reg16(2).

EXPENDITURE MANAGEMENT

43. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.
44. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.

CONDITIONAL GRANTS RECEIVED

45. The municipality did not submit a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011, the Human Settlement and built environment performance framework, proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280.
46. Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered to National Revenue Fund, as required by section 20(1) of the Division of Revenue Act.
47. The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.34280.
48. Projects were not implemented in line with the details contained in the Integrated Development Plan, as required by the Division of Revenue Grant Framework, Gazette No.34280.

REVENUE MANAGEMENT

49. Interest was not charged on all arrears accounts as required by section 64(2)(g) of the Municipal Finance Management Act.

ASSET MANAGEMENT

50. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the Municipal Finance Management Act.

Internal control

51. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

52. The accounting officer did not ensure that proper policy and procedures and internal control procedures are developed, implemented and monitored to report on the property plant and equipment of the municipality.

53. The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of maintaining the fixed asset register, preparing the annual financial statements and compliance with the supply chain management regulations.
54. The accounting officer does not implement effective HR management to communicate leave policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities of leave management.
55. The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls for leave management.
56. Does not establish an IT governance framework that supports and enables the business, delivers value and improves performance.

Financial and performance management

57. The financial statements were not sufficiently reviewed for completeness and accuracy prior to submission for auditing.
58. The municipality does not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting relating to property plant and equipment of the municipality and the service delivery objective.
59. The municipality lacks skills regarding certain aspects of the financial reporting framework and performance management requirements. This resulted in the municipality engaging a consultant to prepare the financial statements. The underlying accounting records of the municipality did not always facilitate the preparation of the financial statements to comply with the accounting framework.
60. Management does not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.
61. The Municipality has not implemented controls in the SCM unit to review and monitor compliance with applicable laws and regulations.

Governance

62. Does not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
63. The financial statements were subject to material corrections resulting from the audit, which are attributable to the lack of risk assessment performed, weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.

Auditor-General

Kimberley

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE C: AUDIT ACTION PLAN - 2011/2012

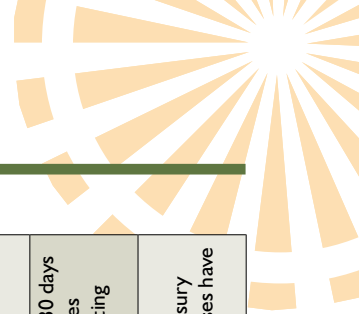
Prepared by: CHIEF FINANCIAL OFFICER

Date: 06 MAY 2013

Purpose: The purpose of the Audit Action Plan is to identify the qualification and to rectify or remedy the weakness before the next audit

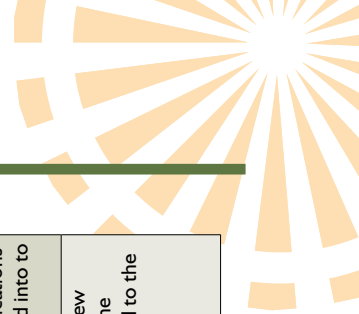
Audit Paragr No.	Item	Target Action Date	Department within the Municipality	Remarks	Progress on Audit Action Plan
AUDIT QUALIFICATIONS AFFECTING THE AUDIT REPORT 30 JUNE 2012					
6	Aggregation of immaterial uncorrected misstatements				
*	Accumulated Surplus	31/01/2013	FINANCE	The matter will be investigated and corrections will be made on the FMS system and AFS	After consultation with the Auditors, Ernest & Young the confirmed that these matters will be sorted out due the the reporting period. No adjustments have to be made.
*	Revenue	31/03/2013	FINANCE	The matter will be investigated and corrections will be made on the FMS system and AFS	
*	Expenditure	31/03/2013	FINANCE	The matter will be investigated and corrections will be made on the FMS system and AFS	
*	Creditors	31/03/2013	FINANCE	The matter will be investigated and corrections will be made on the FMS system and AFS	
*	Receivables	31/12/2013	FINANCE	The matter will be investigated and corrections will be made on the FMS system and AFS	
EMPHASIS OF MATTERS IDENTIFIED IN THE AUDIT REPORT 30 JUNE 2012					
10	Restatement of corresponding figures	30/06/2013	FINANCE	During the preparations of the AFS of 2013, it would be rectified.	See comments above
11	Material losses and impairments : As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.	30/06/2013	INFRA-STRUCTURE & HOUSING SERVICES	Noted	
12	As disclosed in note 52.9 to the financial statements, the municipality suffered a significant electricity loss of R4 770 467 during the year under review.	30/06/2013	FINANCE	DIHS will investigate the matter and will developed an programme of action to reduced the system losses	
13	As disclosed in note 51.3 to the financial statements, the municipality incurred irregular expenditure of R16 257 924.	30/06/2013	FINANCE	SCM Regulations will be followed to ensure that Irregular Expenditure is minimise	With the assistance and co-operation of Provincial Treasury SCM unit, various weaknesses have been corrected
21	0	30/06/2013		See comments below	

Audit Paragr No.	Item	Target Action Date	Department within the Municipality	Remarks	Progress on Audit Action Plan
22	Of the total number of planned targets, only 60 were achieved during the year under review. This represents 20% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process. Furthermore, 39 of the total number of targets set for the year are in respect of objectives that are considered to be qualitatively material. Of these targets, 18% were not achieved during the year under review.	30/06/2013	INFRA-STRUCTURE & HOUSING SERVICES	The PMS targets will be investigated and amendments to the Top Layer PMS targets will be corrected	
23	Planned targets not met	30/06/2013	OFFICE OF MM	See comments below	
26	The audit committee did not adequately advise the accounting officer on matter relating to internal audit financial control, risk management, accounting policies, performance management and performance evaluation as required by section 166 (2)(A) of the MFMA	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
27	The audit committee did not adequately advise the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
28	The audit committee did not adequately advise the accounting officer on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2)(a)(vi)	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
29	The audit committee did not adequately review the annual financial statements to provide the council with an authoritative and credible view of the financial position, its efficiency and effectiveness and its overall level of compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2)(b) of the MFMA	31/06/2013	OFFICE OF MM	The report by the Audit committee on issues raised by the Auditor-General should become a standing item on the first council meeting after the final Audit report has been issued.	Communication with Pixley Ka Some District Municipality is taking place to address the finding
30	The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
31	A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(l) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a)	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
32	The internal audit unit did not function as required by section 165 (2) of the MFMA, in that it did not advise the accounting officer on matters relating to accounting procedures and practices and risk management	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding
33	The internal audit unit did not report to the audit committee on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 165(2)(b) of the MFMA	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be development and executed	Communication with Pixley Ka Some District Municipality is taking place to address the finding



Audit Paragr No.	Item	Target Action Date	Department within the Municipality	Remarks	Progress on Audit Action Plan
34	The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14(1)(a)	31/06/2013	OFFICE OF MM	Training on The auditing of Performance Information has been identified as a need and training will be arranged for the Internal audit unit.	Communication with Pixley Ka Seme District Municipality is taking place to address the finding
35	The internal audit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(ii) and (iii)	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be developed and executed	Communication with Pixley Ka Seme District Municipality is taking place to address the finding
36	The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c)	31/06/2013	OFFICE OF MM	An effective communication between the Council and Audit Committee will be developed and executed	Communication with Pixley Ka Seme District Municipality is taking place to address the finding
37	Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).	Immediately	FINANCE	SCM Regulations will be adhere to as far as possible	With the assistance and co-operation of Provincial Treasury SCM unit, various weaknesses have been corrected
38	Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as required by SCM regulation 28(2).	Immediately	FINANCE	SCM Regulations will be adhere to as far as possible	SCM committees are in adherence when Bid Evaluation and Bid Adjudications committee meeting take place.
39	Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.	Immediately	INFRASTRUCTURE & HOUSING SERVICES	All projects will be registered with CIDB immediately	
40	Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of Municipal Systems Act.	Immediately	CORPORATE, COMMUNITY & DEVELOPMENT SERVICES	All appointments will be made in accordance with the approved organigram	All appointments are only made in accordance with the approved organigram
41	The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) Municipal Systems Act.	Immediately	CORPORATE, COMMUNITY & DEVELOPMENT SERVICES	PMS agreements will be signed within the required timeframes	PMS agreements will be signed within the required timeframes during the 2012/2013 financial year
42	The performance agreements of a senior manager who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by Municipal Regulations on Minimum Competency Levels regulation 16(2).	31/03/2013	CORPORATE, COMMUNITY & DEVELOPMENT SERVICES	PMS agreements will be amended to include Minimum Competency Levels.	Attachments will be included as an annexure to the PMS agreements of Senior Managers where applicable
43	Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.	Immediately	FINANCE	Section 65(2)(e) of the MFMA will be adhere too	Payments are made within 30 days of receipt of valid tax invoices with all the relevant supporting documentation.
44	The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.	Continuous	FINANCE	SCM Regulations will be adhere to as far as possible	With the assistance and co-operation of Provincial Treasury SCM unit, various weaknesses have been corrected

Audit Paragr No.	Item	Target Action Date	Department within the Municipality	Remarks	Progress on Audit Action Plan
45	The municipality did not submit a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011, the Human Settlement and built environment performance framework, proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280.	Continuous	INFRASTRUCTURE & HOUSING SERVICES	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.	
46	Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered to National Revenue Fund, as required by section 20(l) of the Division of Revenue Act.	Ongoing	INFRASTRUCTURE & HOUSING SERVICES	Spending patterns will be improve to avoid unspent conditional grants being repaid to National Treasury	
47	The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.34280.	Ongoing	INFRASTRUCTURE & HOUSING SERVICES	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.	
48	Projects were not implemented in line with the details contained in the Integrated Development Plan, as required by the Division of Revenue Grant Framework, Gazette No.34280.	Ongoing	INFRASTRUCTURE & HOUSING SERVICES	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.	
49	Interest was not charged on all arrears accounts as required by section 64(2)(g) of the Municipal Finance Management Act.	31/05/2013	FINANCE	The Credit Control policy will be re-assess and be amended where possible.	The Credit Control and Indigent Policy will be reviewed before the end of May 2013
50	An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the Municipal Finance Management Act.	Continuous	FINANCE	A system will be developed that will ensure that all assets are accounted for and that officials are held responsible for the assets under their control.	
51	We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.	Ongoing	FINANCE	See comments below	Weaknesses in the control are sharpened on a continuous basis
LEADERSHIP					
52	The accounting officer did not ensure that proper policy and procedures and internal control procedures are developed, implemented and monitored to report on the property plant and equipment of the municipality.	Ongoing	OFFICE OF MM	Policies will be developed and implemented	Currently, all policies are reviewed and monitored.
53	The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of maintaining the fixed asset register, preparing the annual financial statements and compliance with the supply chain management regulations.	Ongoing	FINANCE	Will ensure that this be a standing item on management meeting's agenda.	SCM reports are submitted to the Council, Provincial Treasury and OAG.
54	The accounting officer does not implement effective HR management to communicate leave policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities of leave management	Ongoing	OFFICE OF MM	An effective communication strategy will be developed to communicate all policies and procedures irt HR Management to the general staff on a regular basis	Policies are communicated to staff. Posters are also printed to inform staff about policies



Audit Paragr No.	Item	Target Action Date	Department within the Municipality	Remarks	Progress on Audit Action Plan
55	The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls for leave management	Ongoing	OFFICE OF MM	Will ensure that this be a standing item on management meeting's agenda.	Informal and Formal PMS sessions are taking place. Minutes are available.
56	Does not establish an IT governance framework that supports and enables the business, delivers value and improves performance.	Ongoing	OFFICE OF MM	Will ensure that this be a standing item on management meeting's agenda.	IT Steering Committee will be establish before the end of May 2013.
FINANCIAL AND PERFORMANCE MANAGEMENT					
57	The financial statements were not sufficiently reviewed for completeness and accuracy prior to submission for auditing.	Ongoing	FINANCE	Staff will be capacitated to ensure that the AFS is being reviewed before the submission for auditing.	AFS will be reviewed by the Audit Committee prior final submission to the OAG
58	The municipality does not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting relating to property plant and equipment of the municipality and the service delivery objective.	Ongoing	FINANCE	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems	This is only done in the last quarter of the financial year and at year end.
59	The municipality lacks skills regarding certain aspects of the financial reporting framework and performance management requirements. This resulted in the municipality engaging a consultant to prepare the financial statements. The underlying accounting records of the municipality did not always facilitate the preparation of the financial statements to comply with the accounting framework.	Ongoing	FINANCE	Staff will be capacitated during the current financial year with relevant training programmes offered by IMFO, National Treasury, COGSTA, etc.	Continuous training and workshops are attended by financial directorate staff in order to capacitate them to deal with workloads
60	Management does not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.	Ongoing	FINANCE	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems	The weaknesses in the system are being attended to by the Abakus Financial System Developers
61	The Municipality has not implemented controls in the SCM unit to review and monitor compliance with applicable laws and regulations.	Ongoing	FINANCE	Internal Controls will be re-visited, sharpen and communicated to all staff in order to address the weaknesses identified in the systems	With the assistance and co-operation of Provincial Treasury SCM unit, various weaknesses have been corrected performing the internal Audit fu
GOVERNANCE					
62	Does not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.	Ongoing	OFFICE OF MM	More interaction between the Internal Audit Unit and Management will be establish during the financial year	PKSDM is performing the Internal Audit function and communications in this regard will be entered into to address the weakness.
63	The financial statements were subject to material corrections resulting from the audit, which are attributable to the lack of risk assessment performed, weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.	Ongoing	OFFICE OF MM	The areas of risk will be addressed during the financial year	Proper supervision and review will be undertaken before the 2012/2013 AFS is submitted to the OAG.

ANNEXURE D: REPORT OF THE PERFORMANCE AUDIT COMMITTEE

I. EXECUTIVE SUMMARY

The Audit Committee was appointed by Council in terms of Section 166 of the Municipal Finance Management Act, Act no 56 of 2003. The Audit Committee was mandated, by means of an Audit Committee Charter, to execute certain responsibilities. The Charter was approved by the Executive Mayor, the Municipal Manager and the Audit Committee members, at a meeting held on 03 December 2009..

The following members serve on the Audit Committee:

Mr. W De Bruin	Chairperson
Mr. E D Olifant	Member
Ms C Penderis	Member
Ms D Fourie	Member

The members of the Audit Committee are independent from the Local Municipality and written declarations of interest have been obtained to prove their independency.

During the 2011/2012 financial year, the Audit Committee held four (4) Meetings.

In terms of the Municipal Finance Management Act, the Audit Committee should have at least four meetings per annum.

2. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied, as far as possible, with its responsibility arising from Section 166 (2) of the MFMA. Their responsibility includes the following:

- a. Advice the Municipal Council, the Political office-bearers, the Accounting Officer and the Management Staff on matters relating to:**
 - i. Internal financial control and Internal Audits
 - ii. Risk Management
 - iii. Accounting policies
 - iv. The adequacy, reliability and accuracy of financial reporting and information
 - v. Performance management
 - vi. Effective governance
 - vii. Compliance with Legislation
 - viii. Performance evaluation
 - ix. Any other issues referred to it by the municipality

The Internal Audit Unit issued Internal Audit Reports to the Committee regarding the above mentioned components. Findings which were not resolved by Management were brought to the attention of the Committee.

Recommendation made by the Audit Committee were implemented and reviewed by the Internal Audit Unit during follow-up procedures.

- b. Review the Annual Financial Statements to provide the Council of an authoritative and credible view of the financial position of the Municipality and its overall level of compliance with Legislation.**

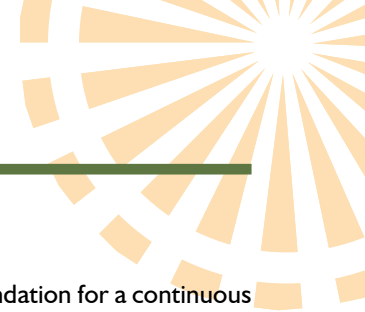
The Committee reviewed again the financial statements during 2011/2012 and issued a report to Council.

- c. Respond to council on any issues raised by the Auditor-General in the audit report.**

A report will be compiled and issued to Council no later than 31 March 2013.

- d. Carry out investigations into the financial affairs of the municipality, as may be requested.**

No requests for investigations were received from the Municipality.



3. RISK MANAGEMENT

The Municipality has developed and approved a Risk Management Strategy. This strategy is the foundation for a continuous risk assessment process and for managing and monitoring risk on an ongoing basis.

A Risk Management Policy was also approved by Council to ensure that Risk Management receives the necessary attention that it deserves.

4. FRAUD PREVENTION PLAN AND FRAUD RESPONSE PLAN

The Fraud Prevention Plan was approved by Council. It was tabled before the Audit Committee for comments and then approved by Council.

5. INTERNAL AUDITING

In terms of the Municipal Finance Management Act, the Audit Committee has the obligation to oversee the operations of the Internal Audit Unit.

The following documents were approved by the Audit Committee:

- i. The Audit Committee Charter 2011/2012
- ii. The Internal Audit Charter 2011/2012
- iii. The Risk Assessment 2011/2012
- iv. The internal Audit Strategic Plan (3 Years)
- v. The Internal Audit Annual Plan 2011/2012
- vi. The internal Audit Manual

6. EXTERNAL AUDITING

The Office of the Provincial Auditor-General is responsible for the external audit at Emthanjeni Municipality. The Audit Committee Charter provides for an open communication channel between the Audit Committee and the Auditor-General.

During the 2011/2012 financial year, it was not necessary for the Committee to meet separately with the Office of the Auditor-General.

7. AUDIT COMMITTEE MEETINGS

The attendance at the Audit Committee meetings was as follows:

Name	Number of meetings held during 2011/2012	Number of meetings attended
Mr. E D Olifant	4	2
Mr. W De Bruin	4	4
Ms. D Fourie	4	4
Ms. C Penderis	4	4

The MFMA stipulates that no Councilor should be a member of the Audit Committee. The Executive Mayor and Mayoral Committee members were invited to attend all the meetings as invitees.

It is hereby confirmed that no councilor serves as a member of the Audit Committee.

The Municipal Manager and the Heads of Departments attended the meetings, in order to respond on concerns raised by the Committee.

8. THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

The effectiveness of the internal control systems were reviewed by the Internal Audit Unit and any shortcomings were reported to the Audit Committee. The audit Committee dealt with it in the appropriate way.

9. THE RISK AREAS OF THE MUNICIPALITY'S OPERATIONS COVERED IN THE SCOPE OF INTERNAL AND EXTERNAL AUDITS

The scope of the Internal Audit's audit was reviewed when the Risk assessments and Annual Plan of the Internal Audit Unit was approved. The scope of the External Audit was however not reviewed by the Audit committee.

10. THE ADEQUACY, RELIABILITY AND ACCURACY OF FINANCIAL INFORMATION PROVIDED BY MANAGEMENT

This was reviewed by the Internal Audit Unit as part their normal audit work program. Any findings would have been part of the quarterly reporting to the Audit Committee.

11. ACCOUNTING AND AUDIT CONCERNS IDENTIFIED AS A RESULT OF INTERNAL AND EXTERNAL AUDITS

Audit concerns, Internal and External, were submitted to the Audit Committee and it was dealt with accordingly.

12. THE MUNICIPALITY'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

THE Municipality's compliance with legal and regulatory provisions was reviewed by the Internal Audit Unit. Any findings were reported to the Audit Committee at the normal quarterly meetings.

13. THE EFFECTIVENESS OF THE INTERNAL AUDIT UNIT

The effectiveness of the internal Audit Unit was reviewed during 2012, and a report was issued to the internal audit unit.

14. SELF EVALUATION OF THE AUDIT COMMITTEE

The Audit Committee last had a self evaluation during 2010 and the report was submitted to the Council.

15. PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE

The performance of the Audit Committee was evaluated at the District Municipality by Council and a report was issued in this regard.

16. THE ACTIVITIES OF THE INTERNAL AUDIT UNIT, INCLUDING ITS ANNUAL WORK PROGRAMMES, CO-ORDINATION WITH EXTERNAL AUDITORS AND RESULTS OF SIGNIFICANT FINDING AND RESPONSE OF MANAGEMENT TO RECOMMENDATIONS

The activities of the Internal Audit Unit were noted from quarterly reports submitted to the Audit Committee

All the findings submitted to Management were followed up by the Audit Committee during the quarterly meeting. In cases where the responses were not to the satisfaction of the Audit Committee, Management had to elaborate more in detail. A decision was also taken that in cases where the audit committee was not satisfied with a response a follow up should take place and a response should be given at the next meeting of the audit committee.

17. MATTERS REQUIRING SPECIFIC MENTION

The Committee noted the Auditor-General issued once again a qualified audit opinion for 2011/2012.

To my opinion it is possible for the municipality to move in the direction of an unqualified report if managers make sure that they improve on the matters that were raised by the Auditor General. The Audit committee should also improve on their role and advice council on matters raised by the Auditor General.

E D Olifant

ACTING CHAIRPERSON: AUDIT COMMITTEE