

Emthanjeni Municipality



Annual Report

2015/16

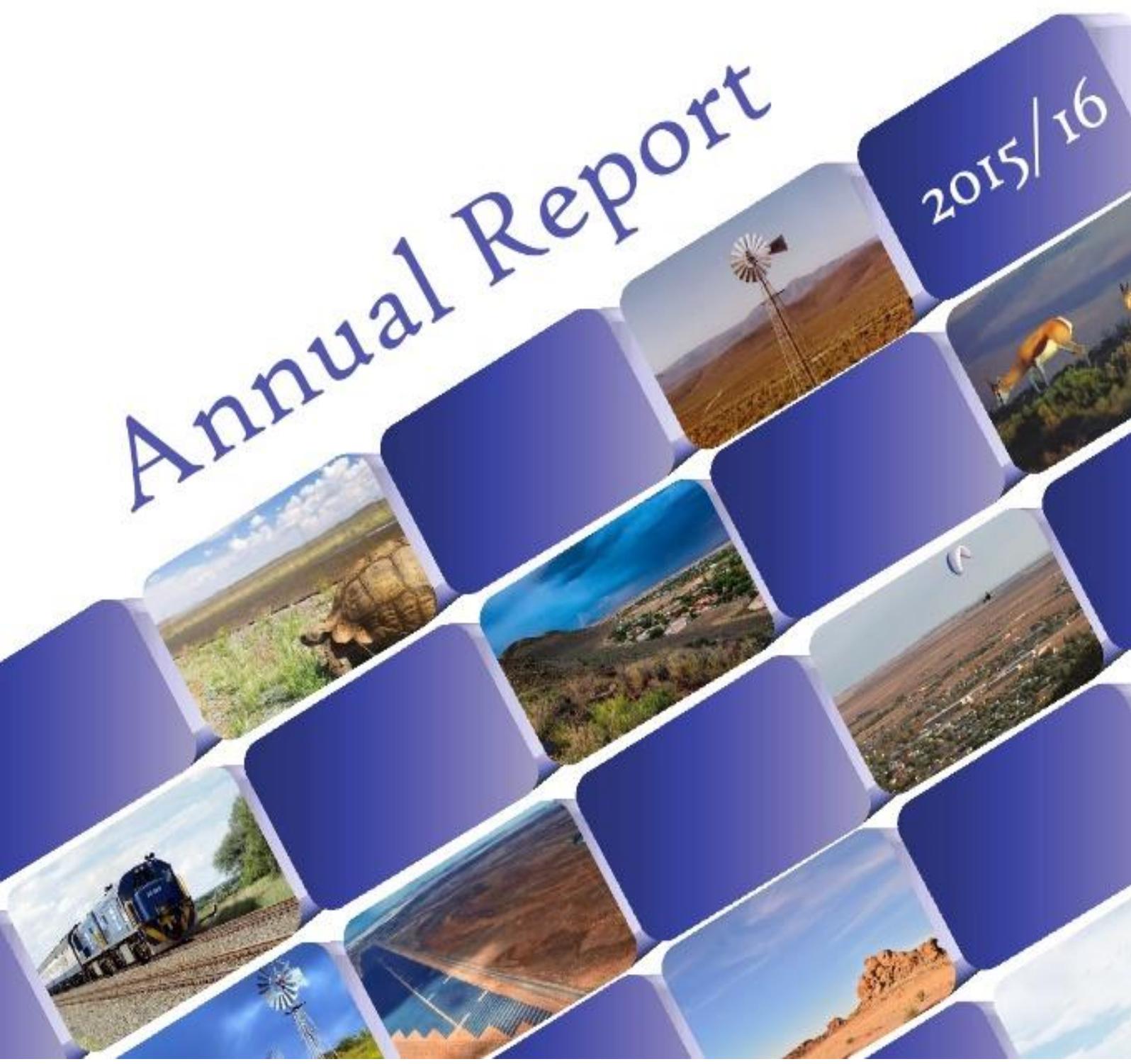


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Chapter 1

Executive Summary

2015/16



CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

ST STHONGA

MAYOR

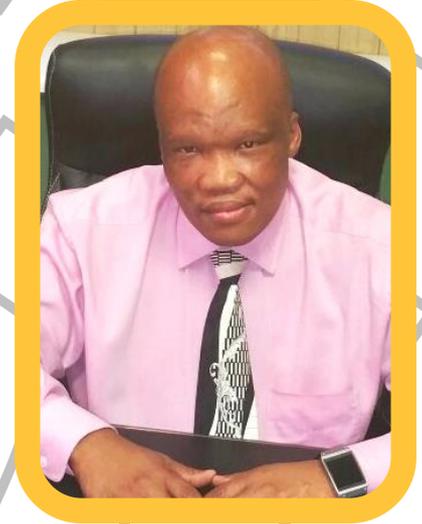


COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview

I VISSER

MUNICIPAL MANAGER



1.2 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 2015/16 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2015 to 30 June 2016. 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.

1.2.1 Vision and Mission

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

Vision:

“A centre for development and service excellence focused on economic development in pursuit of a better life for all”

Mission:

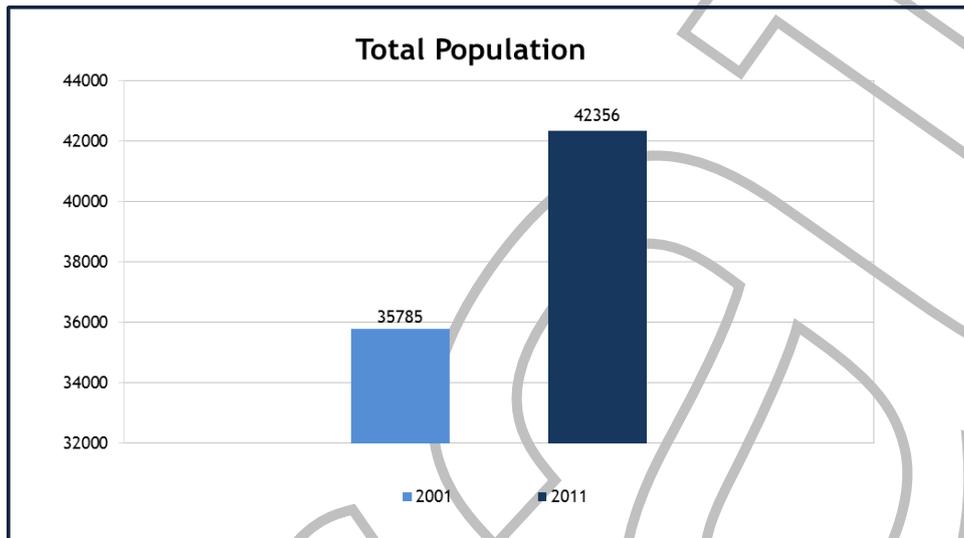
*“To provide a quality service at all times and:
Value our resources both human and financial;
Develop an active citizenry; and
Create a conducive environment for economic growth”*

1.3 Municipal Functions, Population and Environmental Overview

1.3.1 Population

a) Total Population

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

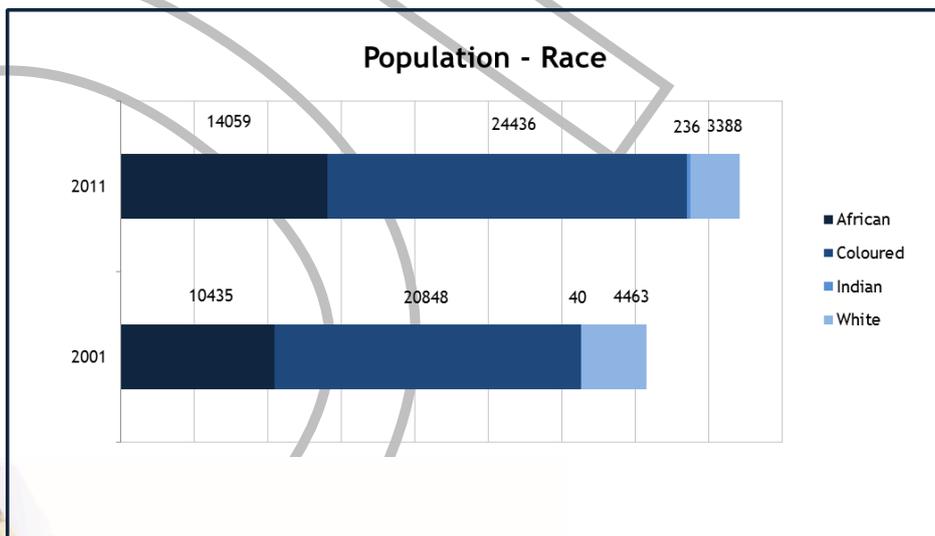


Graph 1: Total Population

Year	African	Coloured	Indian	White
2001	10 435	20 848	40	4 463
2011	14 059	24 436	236	3 388

Source: Census 2001 & 2011

Table 1: Population



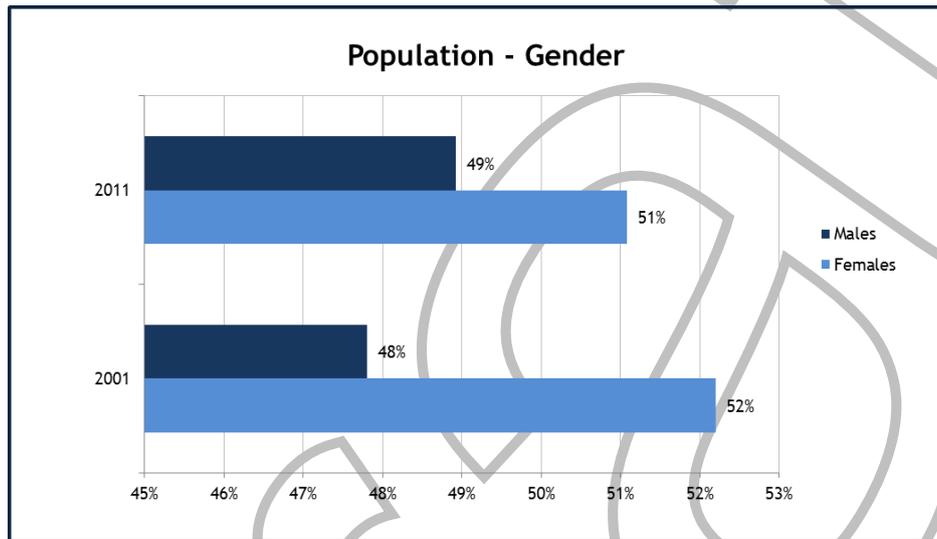
Graph 2: Population by Race

The table below indicates that in 2011, females represent 21 634 (51%) and males 20 722 (49%) of the total population.

Population - Gender	2001	2011
Females	18 679	21 634
Males	17 107	20 722
Total	35 785	42 356

Source: Census 2001 & 2011

Table 2: Gender Statistics



Graph 3: Population - Gender

b) Population Profile

The table below indicates the population per age group.

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 0-9	3 597	3 580	7 177	4 654	4 522	9 176
Age: 10-14	1 975	2 265	4 240	2 144	2 103	4 248
Age: 15-19	1 741	2 173	3 914	2 046	2 103	4 248
Age: 20-24	1 346	2 003	3 349	1 763	1 760	3 523
Age: 25-39	4 393	3 857	8 250	4 504	4 342	8 846
Age: 40- 54	3 275	3 332	6 607	3 223	3 660	6 883
Age: 55-69	1 383	2 185	3 568	1 846	2 343	4 189
Age: 70-84	286	843	1 129	339	254	593
Age: 85+	103	45	148	51	122	174

Census 2001 & 2011

Table 3: Population Profile

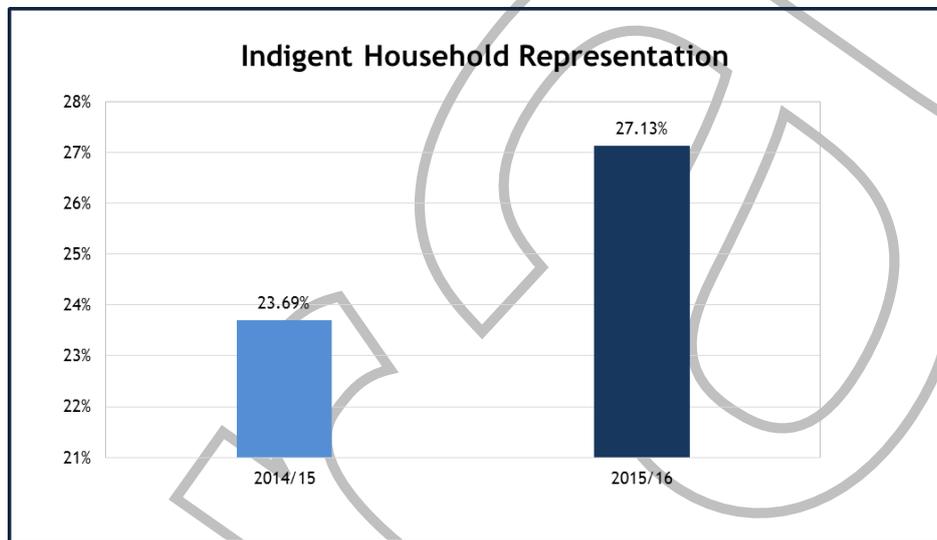
1.3.2 Households

The total number of indigent households within the municipal area increased from 2 989 households in the 2014/15 financial year to a total of 3 422 households in the 2015/16 financial year.

The table below indicates an increase of 263 in the total number of indigent households within the municipal area between the two years.

Households	2014/15	2015/16
Number of households in municipal area	12 615	12 615
Number of indigent households in municipal area	2 989	3 422

Table 4: Total Number of Households



Graph 4: Indigent Households

1.3.3 Demographic Information

Municipal Geographical Information

Emthanjeni Local Municipality is a category B municipality consisting of three towns: De Aar, Britstown and Hanover. Emthanjeni, and especially De Aar, is renowned for its central location on the main railway line between Johannesburg, Cape Town, Port Elizabeth and Namibia. It is situated in the Pixley ka Seme District Municipality and is the seat of this district.

Its location is approximately 300 km south-west of Kimberley, 440 km south-east of Upington, 300 km north-east of Beaufort-West and 300 km south-west of Bloemfontein. The land area comprises 11% of the district land area and 3% of the province. It represents approximately 23% of the district population.



Of the main towns that fall within the municipal area, Hanover lies approximately 65 km east of De Aar on N1 main north to south route and Britstown is situated about 55 km west of De Aar on the N12 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 11 390km².

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 5: Municipal Wards

Towns

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 boasts a weather station gathering climatic data which has literally put De Aar on the world map. De Aar has an average yearly rainfall of 300mm with the lowest minimum temperature of -10 °C, the highest maximum temperature of 40.7 °C, an average summer temperature of 24 °C and an average winter temperature of 14 °C. De Aar is situated at 1280 m above sea level and has an average humidity of 43%. As a declared industrial growth point, with ample, very reasonably priced industrial sites, affordable labour and the necessary infrastructure, De Aar is the ideal place to establish an industry in the Northern Cape.

Various major industries have already taken advantage of De Aar's central location and excellent rail and road links to establish themselves here. De Aar is also a primary commercial distribution centre for a large area of the central Great Karoo. Major production activities of the area include wool production and livestock farming. The area is also popular for hunting, despite the fact that the region is rather arid. De Aar is increasingly becoming the center for supplying the whole country with the famous "Karoo" mutton, so highly prized for its unique flavour and quality. There are ancient Khoisan rock engravings on the Nooitgedacht and Brandfontein farms. There is also the "Garden of Remembrance", which honours the British troops killed in the Anglo-Boer War.

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 N1 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. Here 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.

Chapter 1: Executive Summary

The older houses were all built right on the road edge – as per authority’s instructions at the time – and when, in later years, home owners 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 Gembokfontein, 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).

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, VleisSentraal for meat processing
	Solar Energy
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
	Rail Revitalisation
Tourism	To market Emthanjeni as a tourism destination
	To speed up the restoration of existing attractions and the development of new attractions

Table 6: Key Economic Activities



1.4 Service Delivery Overview

1.4.1 Basic Services Delivery Highlights

The table below specifies the basic service delivery highlights for the year:

Highlights	Description
Good water quality	99% Passing rate of water samples as per SANS 241
Upgrading (phase 2) of the De Aar Waste Water Treatment Works (WWTW)	Upgraded the WWTW so that effluent could comply with DWS standards
Upgrading of Utility Dry Sanitation (UDS toilets) toilets	17 UDS toilets were upgraded to septic tanks
Funding secured for the electricity upgrade in De Aar East – Integrated National Electrification Programme (INEP) phase 2	Upgrades are required as the network is overloaded and some areas experience power dips and funding was secured for this purpose
Funding obtained for high mast and street lights in dark spots (Dark areas where there is no streetlights)	MIG funding was obtained to erect high mast and street lights in dark areas and construction is currently underway
Municipal cleaning campaign	Hosted a cleaning campaign throughout the municipal area and changed the image of illegal hotspot
Youth in waste programme	Programme continued and assisted the municipality positively
Servicing of sites	The servicing of 470 sites in Hanover were completed
Construction of sewer pump station for 470 sites in Hanover	Construction is currently in progress
Tarring of new roads	0.487 km of new tar road were constructed

Table 7: *Basic Services Delivery Highlights*

1.4.2 Basic Services Delivery Challenges

The table below specifies the basic service delivery challenges for the year:

Challenge	Actions to address
Need for extra water sources (12 additional boreholes)	Obtain water usage licence (WUL) from DWS to develop additional boreholes
Shortage of skilled and experienced personnel in Waste Water department	Filling of the vacancies with experienced and qualified personnel
Tampering and bypass of Plessey type meters that results in loss of revenue	Plessey type meters are being replaced with LG110 type
Vandalism of equipment that results in loss of electricity	Communities to be informed about the criminal activities and requested to assist the municipality with monitoring
Illegal dumping	Host awareness programmes to educate communities on keeping the environment clean
Eradication of the housing backlog	Compilation of business plans to apply for funding in order to eradicate the housing backlog
Limited funding to reseal roads	Source additional funding to supplement own funding for the resealing of roads

Table 8: *Basic Services Delivery Challenges*

1.4.3 Proportion of Households with Access to Basic Services

The table below indicates the proportion of households with access to basic services:

KPA & Indicator	Municipal Achievement	
	2014/15	2015/16
Electricity service connections	8 163	8 168
Water - available within 200 m from dwelling	8 163	8 168
Sanitation - Households with at least VIP service	7 303	8 030
Waste collection - kerbside collection once a week	8 246	8 273

Table 9: *Households with Minimum Level of Basic Services*

1.5 Financial Health Overview

1.5.1 Financial Viability Highlights

The table below specifies the financial viability highlights for the year:

Highlight	Description
The municipality's ability to render services without any delays and also to honour its financial commitments timeously although serious cash flow challenge is experienced	The continued support from all stakeholders within the Emthanjeni community that ensure the municipality is able to render continued services cannot be under estimated
The total spending of capital conditional grants during the financial year under review	Due to proper planning of projects and the awarding of tenders for service providers timeously
Continuously striving to achieve a financially unqualified audit opinion by the municipality	The dedication and exceptional hard work of finance staff in ensuring that the municipality achieve a financially unqualified audit opinion that will lead to a clean audit report for the municipality

Table 10: *Financial Viability Highlights*

1.5.2 Financial Viability Challenges

The table below specifies the financial viability challenges for the year:

Challenge	Action to address
Increase in outstanding debtors remains the biggest challenge faced by the municipality	The municipality will intensify the debt collection and disconnection of municipal services
The compliance of the supply chain management (SCM) regulations as a whole due to our geographical area	The municipality will engage Provincial Treasury on mechanisms in ensuring full compliance of the SCM Regulations
Capacity challenges facing the finance directorate in the budgetary reforms, GRAP Standards and the implementation of mSCOA	Training programmes will be developed to ensure that finance staff becomes capacitated in all areas

Table 11: *Financial Viability Challenges*

1.5.3 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators 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	2014/15	2015/16
Debt coverage ((Total operating revenue-operating grants received):debt service payments due within the year)	7.68	2.77
Service debtors to revenue – (Total outstanding service debtors/revenue received for services)	0.55	47.60%
Cost coverage ((Available cash+ investments)/Monthly fixed operating expenditure)	0.96	0.9

Table 12: National KPI's for Financial Viability and Management

1.5.4 Financial Overview

The table below indicates the financial overview for the year:

Details	Original budget	Adjustment Budget	Actual
	R'ooo		
Income			
Grants	97 166	53 999	49 790
Taxes, Levies and tariffs	135 613	130 613	133 544
Other	35 483	36 283	24 857
Sub Total	268 262	220 895	208 191
Less Expenditure	220 896	215 864	265 871
Net surplus/(deficit)	47 366	5 031	(57 679)

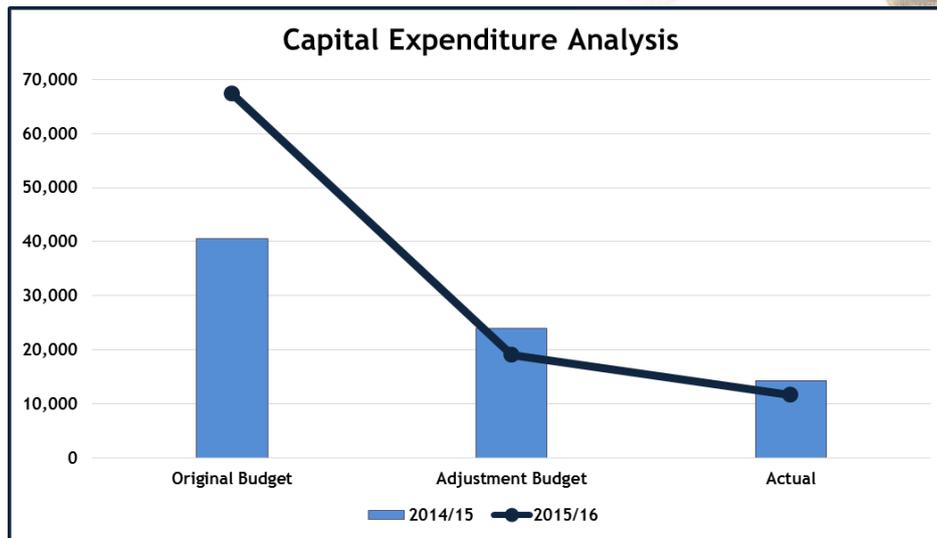
Table 13: Financial Overview

1.5.5 Total Capital Expenditure

The table below indicates the total capital expenditure for the year:

Detail	2014/15	2015/16
	R'ooo	
Original Budget	40 589	67 344
Adjustment Budget	23 899	19 121
Actual	14 194	11 646
% Spent	59.4%	60.91%

Table 14: Total Capital Expenditure



Graph 5: Capital Expenditure Analysis

1.6 Auditor General Report

1.6.1 Audited Outcomes

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

The auditor-general’s annual audit examines 3 areas:

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

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

-  **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.
-  **Unqualified audit with findings:** The financial statements contain material misstatements. Unless we express a clean audit come, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
-  **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or these insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.

-  **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
-  **Disclaimer of Audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.

The table below indicates the audit opinion received over various years:

Year	2012/13	2013/14	2014/15	2015/16
Opinion received	Unqualified	Qualified	Unqualified	Unqualified

Table 15: *Opinion Received*

1.7 2015/16 IDP/Budget Process

The table below provides details of the 2015/16 IDP/Budget process:

No	Activity	Responsible person	Date
Pre-Budgeting Processes/Tasks			
1	Planning & strategising Submission of budget schedule & IDP review process to the Mayor	MM & CFO	15 August 2014
1.1	Appoint Budget Task Team for compilation of 2015/2016 capital & operating budget	MM	29 August 2014
1.2	Verifying income and expenditure sources	CFO	6 November 2014
1.3	Investigate DORA for allocations	CFO	9 October 2014
1.4	Evaluate possible roll over capital projects	MM	11 December 2014
1.5	Issuing of the budget guidelines and other departmental budget submission guidelines	CFO	18 September 2014
1.6	Preparing of programme for IDP Steering Committee & community involvement meetings.	Mayor & MM	9 October 2014
1.7	Negotiating of new contracts and renegotiation of expired contracts or contracts that will expire during the period to 30 June 2015 with supplies and other service providers	MM, CFO & HOD's	25 September 2014
1.8	Requesting budgetary inputs, suggestions, recommendations, possible sources of revenue from HOD's for respective departments	MM & HOD's	11 December 2014
1.9	Calculate investigate & identify over-and under spending on votes, departments such <ul style="list-style-type: none"> i. Once – off events ii. Recurrent events iii. Future tendencies of accounts 	CFO & HOD's	11 December 2014
1.10	Finalisation of IDP preliminary budget format	MM & HOD's	Continuous
1.11	Finalize outlay of budget on spreadsheets as prescribe according National Treasury & MFMA	MM & HOD's	Continuous
1.12	Proper record keeping of all activities within the pre-budgeting processes	MM & HOD's	Continuous

No	Activity	Responsible person	Date
Community Participation Process			
2.1	Planning & Strategising	Mayor & MM	30 September 2014
	i. First IDP input meeting		14 October 2014
	ii. Sector Departments Alignment meeting		22 November 2014
	iii. Review IDP Meeting		5 February 2015
2.2	iv. Final IDP Prioritizing and sector departments meeting	Mayor, WC, Councillors, MM & CFO	7 October 2014
	Community IDP and Budget input meetings		
2.3	i. Combined ward committee meetings: all 7 wards	Mayor, WC, MM & CFO	
	Community IDP Budget input meetings		13 October 2014 to 17 October 2014
	i. Report Back Meeting: Ward 1		
	ii. Report Back Meeting: Ward 2		
	iii. Report Back Meeting: Ward 3		
	iv. Report Back Meeting: Ward 4		
	v. Report Back Meeting: Ward 5		
	vi. Report Back Meeting: Ward 6		
2.4	vii. Report Back Meeting: Ward 7		
2.5	viii. Report Back Meeting: Business Community, Agricultural Community, NGO's		
2.4	Performance management input meetings	Mayor, MM	16 October 2014
2.5	IDP sectoral meeting with Pixley Ka Seme District Municipal and regional government departments	Mayor, WC, EXCO, Cllrs, MM & HOD's	5 February 2015
2.6	Community IDP & Budget Report Back Meetings	Mayor, WC, EXCO, Cllrs, MM & HOD's	6 April 2015 to 22 April 2015
	i. Report Back Meeting: Ward 1		
	ii. Report Back Meeting: Ward 2		
	iii. Report Back Meeting: Ward 3		
	iv. Report Back Meeting: Ward 4		
	v. Report Back Meeting: Ward 5		
	vi. Report Back Meeting: Ward 6		
	vii. Report Back Meeting: Ward 7		
	viii. Report Back Meeting: Business Community, Agricultural Community, NGO's Report Back Meetings		
	ix. Review Meetings		
2.7	x. Final Prioritizing Meetings		
2.7	Performance Audit Committee Meetings	Mayor, MM & PMS Steering Committee	07 October 2014
	i. Report Back Meetings		
	ii. Review Meetings		
	iii. Final prioritizing Meetings		
Budget Preparatory Process			
3	Preparation	MM & HOD's	
3.1	Draw up current staff budget according National Treasury	MM, CFO & HOD's	25 September 2014
3.2	Evaluate and control proposals and report back from HOD's (income & expenditure sources).	CFO	23 October 2014

No	Activity	Responsible person	Date
3.3	Determine and calculate redemption and finance costs for 2015/2016 budget fin year	CFO	25 September 2014
3.4	Preparations of Budgeted Yearly Income and Expenditure levels, and proposed draft tariffs	Mayor, Cllr's, MM, CFO & HOD's	3 November 2014
3.5	Record all inputs received from IDP Forums, communities, ward committees and other stakeholders	CFO	16 October 2014
3.6	Compile first draft with budgeted income and expenditure	Mayor, MM & HOD's	2 December 2014
3.7	Compile first draft with budgeted capital projects and financing source of projects that links with IDP projects, including Draft SDBIP	Mayor, MM & HOD's	6 November 2014
3.8	Distribute first draft of budget to Mayor, EXCO members, Cllrs, MM and HOD's	Mayor, MM & HOD's	6 November 2014
3.9	Budget monitoring meeting with technical steering committee	Mayor, MM & HOD's	13 November 2014
3.10	Setting of strategy objectives for the next MTEF period	Mayor, Council & MM	16 October 2014
Budgetary Policies			
4.1	Finalizing of tariffs policies <ul style="list-style-type: none"> i. Personnel related policies i. Rates Policy ii. Electricity Policy iii. Water & Sanitation Policy iv. Credit Control Policy 	Mayor, EXCO MM, CFO & HOD's	13 March 2015
4.2	Finalisation IDP review document	Mayor & MM	5 March 2015
4.3	Finalisation of strategic policy documents such as <ul style="list-style-type: none"> i. LED Policy ii. Spatial Development Policy iii. Tourism Policy iv. Transport Policy v. Other strategic Policies 	MM	5 March 2015
4.4	Finalisation of compilation of Business Plan for submission to government departments and private institutions	MM	5 March 2015
4.5	Application of Electricity Tariff Increment with NERSA	MIS & CFO	27 November 2014
4.6	Budget Approval Process	Mayor & MM	30 May 2015
Tabling of Budget			
5.1	Submission of Revised Integrated Development Planning to the Mayor	MM	12 March 2015
5.2	Submit first draft 2015/2016 capital and operating budget to the Mayor	MM, CFO	19 March 2015
5.3	Tabling of draft 2015/2016 capital and operating budget to Council	Mayor	31 March 2015
5.4	Tabling of Budgetary Policies to Council	Mayor	31 March 2015
5.5	Tabling of final 2015/2016 capital and operating budget	Mayor	29 May 2015
5.6	Submission of SDBIP to the Mayor	MM	29 May 2015
Approval of Budget and Policies			

No	Activity	Responsible person	Date
6.1	Approval of Revised Integrated Development Planning	Council	29 May 2015
6.2	Approval of Budgetary Policies <ul style="list-style-type: none"> i. Budget Policy ii. Personnel related policies iii. Rates Policy iv. Electricity Policy v. Water & Sanitation Policy vi. Credit Control Policy vii. Indigent Policy viii. Other services policies 	Council	29 May 2015
6.3	Approval of Tariffs <ul style="list-style-type: none"> i. Rates Tariff ii. Water Tariff iii. Electricity Tariff iv. Sewerage Tariff v. Refuse Tariff vi. Secondary tariffs as indicated in the list of tariffs 	Council	29 May 2015
6.4	Approval of Budgets <ul style="list-style-type: none"> i. Capital Budget for 2015/2016 ii. Operating Budget for 2015/2016 	Council	29 May 2015
6.5	Approval of SDBIP	Council	25 June 2015
Finalising			
7.1	Approval of SDBIP	Mayor	25 June 2015
7.2	Submission of Approved Budget and SDBIP to <ul style="list-style-type: none"> i. National Treasury, Provincial Treasury & RT ii. SALGA iii. DHLG iv. Pixley Ka Seme District Municipality 	MM	12 June 2015
7.3	Publication of High Level Summary Budget & SDBIP <ul style="list-style-type: none"> i. Website ii. Local newspaper iii. Hard copies 	MM	12 June 2015

Table 16: 2015/16 IDP/Budget Process

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE 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 Indicator required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

Indicator	Municipal Achievement	Municipal Achievement
	2014/15	2015/16
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 (After roll over projects)	59.4%	60.91%

Table 17: National KPIs - Good Governance and Public Participation Performance

2.2 Performance Highlights - Good Governance and Public Participation

The table below specifies the highlights for the year:

Highlight	Description
Increase in the number of wards and councillors	The MEC has increase the number of wards and councillors of the municipality
Workplace Skills Plan was submitted on time to LGSETA	Submission was done electronically and receipt was confirmed
The Employment Equity Plan was submitted on time to the Department of Labour on 31 October 2015	Submission was done electronically and receipt was confirmed
The appointment of the Labour Relations Intern that handles all the disciplinary matters	The Labour Relation Intern was appointed on 1 March 2016 for a period of six (6) months to handle all the disciplinary matters

Table 18: Good Governance and Public Participation Performance Highlights

2.3 Challenges - Good Governance and Public Participation

The table below specifies the challenges for the year:

Description	Actions to address
Slow progress on LED	The LED unit will be assisted by consultants in order to fast-track LED municipal initiatives
Non participation of NGO's and government departments during the budget consulting processes	Council will utilise the local radio station to reach more stakeholders during the budget consultation process
The Local Labour Forum is still not functioning optimally	Training for all members of the LLF to clarify the importance of having a functional LLF
Proposed training as set out in the WSP is not rolled out due to the lack of service providers in the Northern Cape	Municipality will approach the LGSETA and other SETA's to find a solution to the problem

Table 19: *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

The Emthanjeni Local Municipal Council comprises of 14 elected councillors, made up from 7 ward councillors and 7 proportional representation councillors. The portfolio committees are made up of councillors drawn from all political parties. Below is a table that categorised the councillors within their specific political parties and wards for the 2015/16 financial year:

Name of Councillor	Capacity	Political Party	Ward representing or proportional
ST Sthonga	Mayor	ANC	Ward Councillor
MM Freddie	Speaker	ANC	Proportional
NS Thomas	Councillor	ANC	Ward Councillor
GL Nyl	Councillor	ANC	Ward Councillor
GL Nkumbi	Councillor	ANC	Proportional
J Jood	Councillor	ANC	Ward Councillor
M Kivedo	Councillor	ANC	Ward Councillor
V Jonas	Councillor	Independent	Ward Councillor
M Malherbe	Councillor	DA	Proportional
W Du Plessis	Councillor	DA	Ward Councillor
J Rust	Councillor	DA	Proportional
B Swanepoel	Councillor	DA	Proportional

Name of Councillor	Capacity	Political Party	Ward representing or proportional
A Jaftha	Councillor	DA	Proportional
W Witbooi /F Swanepoel	Councillor	Cope	Proportional

Table 20: Council 2015/16

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 2015 to 30 June 2016:

Name of member	Capacity
ST Sthonga	Community Services
A Jaftha	Rules Committee
GL Nyl	Corporate and HR Services & Infrastructure Services

Table 21: Executive Committee 2015/16

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 2011/16 Mayoral term and their Chairpersons are as follow:

Corporate & HR Services Committee	
Chairperson	Other members
GL Nyl	G Jonas
	M Malherbe
Infrastructure Services Committee	
Chairperson	Other members
G Nyl	J Jood
	W Witbooi
Municipal Public Accounts Committee	
Chairperson	Other members
B Swanepoel	GL Nkumbi
	M Kivedo
Rules Committee	
Chairperson	Other members
MM Freddie	N Thomas
	A Jaftha

Table 22: Portfolio Committees

d) Political decision-taking

Section 53 of the Municipal Systems Act (Act 32 of 2000) stipulates inter alia that the respective roles and areas of responsibility of each political structure and political once bearer of the Municipality and of the municipal manager must be defined. The section below is based on the Section 53 role clarification that was approved at the council meeting of May 2011.

Municipal Council

-  governs by making and administering laws, raising taxes and taking decisions that affect people’s rights;
-  is a tax authority that may raise property taxes and service levies;
-  is the primary decision maker and takes all the decisions of the Municipality except those that are delegated to political structures, political once bearers, individual councillors or officials;
-  can delegate responsibilities and duties for the purposes of fast and effective decision making;
-  must strive towards the constitutional objects of local government;
-  must consult the community with respect to local government matters; and
-  is the only decision maker on non-delegated matters such as the approval of the IDP and budget.

Mayor

-  is the executive and political leader of the Municipality and is in this capacity supported by the Executive Committee;
-  is the social and ceremonial head of the Municipality;
-  must identify the needs of the Municipality and must evaluate progress against key performance indicators;
-  is the defender of the public’s right to be heard;



Chapter 2: Good Governance

- ☞ has many responsibilities with respect to the annual budget, the budget process, budget control and various other Financial matters; and
- ☞ Performs the duties and exercise the responsibilities that were delegated to him by the council.

Executive Committee

- ☞ its members are elected by the Mayor from the ranks of councilors;
- ☞ its functional responsibility area is linked to that of the Mayor to the extent that he must operate together with the members of the Executive Committee;
- ☞ its primary task is to assist the Mayor in the execution of his powers - it is in fact an “extension of the once of Mayor”; and
- ☞ the committee has no powers of its own – decision making remains that of the Mayor.

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
I Visser	Municipal Manager
MF Manuel	Financial Services
EV Diamane	Corporate Services
MR Jack	Community Services
MJV Owies	Infrastructure Services

Table 23: **Administrative Governance Structure**

COMPONENT B: INTERGOVERNMENTAL RELATIONS

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

2.5 Intergovernmental Relations

2.5.1 Intergovernmental Structures

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

Name of Structure	Members	Outcomes of Engagements/Topics Discussed
Municipal Managers Forum	SALGA, Neighbouring municipality's MMs	District based initiatives
Premiers Coordinating Forum	Sector Departments, SALGA, municipality's mayors	Provincial government and municipalities initiatives and programs
SALGA Working Groups	SALGA municipality members, councilors and official as decided by council and sometimes invitation is extended to sector department and NGO's	Support to municipalities
IDP Managers Forum	n/a	n/a
LED Managers Forum	n/a	n/a
SCM Forum	n/a	n/a
IWM Forum	n/a	n/a
IDP Indaba's	n/a	n/a
Provincial Public Participation and Communication Forum (PPCOM)	Ward committee & CDW's mentors and COGHSTA	Ward committees and CDW's activities
IDP Working Group	n/a	n/a
Provincial Skills Development Forum	HR Manager, SDF, SALGA, LGSETA	Discretionary Grants Online submission of the WSP Online reporting on WSP Challenges encountered with LGSETA Capacity building
HR Practitioner's Forum	SALGA, Corporate Services Directors, HR Managers	New developments at HR HR Standards Capacity building in Municipalities
HR Working Group Meeting	SALGA, Councillors for HR	New developments in HR Skills development

Table 24: *Intergovernmental Structures*

2.5.2 Joint projects and functions with Sector Departments

All the functions of government are divided between the different spheres namely National, Provincial and Local. The municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions. The table below provides detail of such projects and functions:

Name of Project/ Function	Expected Outcome/s of the Project	Sector Department/s involved	Contribution of Sector Department
National War on Poverty	Reduce poverty in identified poorest wards in municipal area	National Department of Rural Development	Established steering committee with municipality and other provincial sector departments
Public Works Program	Reducing poverty and building better communities	National Government	Establish steering committee and funding of the projects

Table 25: Joint projects and functions with Sector Departments

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

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.

2.6 Public Meetings

2.6.1 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.

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

Name of representative	Capacity representing
P Vywers	Ordinary Member
B Louw	Youth
W Baardman	Disabled
M Le Grange	Education
F Goodman	Church
A Mackay	Safety
H Phillips	Government department
R Smeer	Women
G Middleton	Youth
G Afrika	Sport

Table 26: Ward 1 Committee Members

b) Ward 2: Leeuwenshof, Residensia, New bright, Happy Valley, Extension 20, Klein Kareeville , Extension 7

Name of representative	Capacity representing
M Pienaar	Church
E Lawak	Sport
I Absolom	SMME
TMeyers	Youth
R Mfuku	Youth
S Wangra	SMME
M Tybos	Women
P Olifant	NGO
E Bosman	Women
J Hoffman	Church

Table 27: Ward 2 Committee Members

c) Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing
N Nkontwana	Government Department
K Ninzi	NGO
N George	Women
T Tokwana	Sport
TP Mphaphetho	Unemployed
EN Ralawe	Women
M Davana	Cultural group
M Mokwena	Youth

Name of representative	Capacity representing
B Madyo	Youth
B Maliti	Youth

Table 28: Ward 3 Committee Members

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

Name of representative	Capacity representing
T Gawula	NGO
V Monna	Youth
T Simanga	Youth
S Booysen	Education
L Brandt	Health/Business
M Mfenana	Women
N Njokweni	Church
N Godlo	Crime Prevention
BP Mayekiso	Sport
J Scheffers	Local government

Table 29: Ward 4 Committee Members

e) **Ward 5: Town Area**

Name of representative	Capacity representing
IJ van Zyl	Ordinary Member
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 30: Ward 5 Committee Members

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

Name of representative	Capacity representing
J Bramley	Ordinary Member
K Nompumelelo	Women
E Larkman	Business Sector
N Ncapayi	Women
T Pienaar	Adult Education
I Andrews	SMME
Z Mhalaba	Government Department
Li Joka	Education
M Sestile	Church
Z Yawa	Church

Table 31: Ward 6 Committee Members

g) **Ward 7: Jansenville, Mziwabantu, Britstown(town), Proteaville**

Name of representative	Capacity representing
R Arnolds	Women
W Fennie	Youth
E Fennie	Government Department
DMatsio	Old age
A Fililani	Ordinary Member
M Du Preer	Sport
S Mathews	Church
M Bezuidenhout	Sport
J Fortuin	SMME
M Solomon	Ordinary Member

Table 32: Ward 7 Committee Members

2.6.2 Representative Forums

a) **Labour Forum**

The table below specifies the members of the Labour Forum for the 2015/16 financial year:

Name of representative	Capacity
W Du Plessis	Councillor
GL Nyl	Councillor
N Thomas	Councillor
G Jonas	Councillor
I Visser	Official

Name of representative	Capacity
MF Manuel	Official
EV Diamane	Official
M Jack	Official
V Mkosana	Imatu
C Maritz	Imatu
B Kewana	Samwu
N Masum	Samwu
XL Oliphant	Samwu
L Kondile	Samwu
R Loliwe	Samwu
S Mantyi	Samwu

Table 33: Labour Forum

COMPONENT D: CORPORATE GOVERNANCE

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

2.7 Risk Management

In terms of section 62 (1)(c)(i) *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems – of financial and risk management and internal control;”*...

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of a Municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders.

Purpose and Scope

This Policy addresses key elements of the risk management framework to be implemented and maintained by the Municipality, which will allow for the management of risks within defined risk/return parameters, risk appetite and tolerances as well as risk management standards. As such, it provides a framework for the effective identification, evaluation, management measurement and reporting of the Municipality's risks.

Objectives

The objective of the risk policy is to ensure that a strategic plan is developed that should address the following:

-  An effective risk management architecture;

- ☞ A reporting system to facilitate risk reporting; and
- ☞ An effective culture of risk assessment

The role of the service departments is to identify, review and manage their risks on an ongoing basis, making risk management an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation, it becomes an intrinsic part of business planning and decision making - there is no direction taken without looking at potential risks.

The table below include the top 10 risks of the municipality:

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
Under recovery of budgeted revenue	Consumer accounts, cut-off of electricity and debt collection	High	CFO	Intensify payment awareness campaigns. New debt collection company appointed to collect debt. Continuous disconnection of electricity.	Ongoing
Cash flow constraints	Timeous posting of municipal accounts. Continuous enforcement of credit control	Medium	CFO	Intensify payment awareness campaigns. New debt collection company appointed to collect debt. Continuous disconnection of electricity.	Ongoing
Failure to ensure confidentiality of personnel information	Control register at HR for outgoing files for Managers and Auditors. Confidentiality form for HR personnel to be completed prior to working in the unit.	Low	DCS	Control register at HR for outgoing files for managers and auditors. Confidentiality form for HR personnel to be completed prior to working in the unit.	Ongoing
Delays to provide personnel files for audit purposes	Overtime and working after hours.	Medium	DCS	1. Training of HR personnel. 2. Appointment of HR clerk. 3. Looking into acquiring an electronic filing system	Ongoing
Poor leave management	Leave policy. Departmental leave plans.	Medium	MSS	Establish good working relations between the municipality and trade unions. Induction of new and existing staff	Ongoing
Theft	Inventory system and asset management system. Security and alarm system. CCTV in place	Medium	DCS	Access to monitor CCTV to be given to security services	2016/2017
Inadequate implementation of LED Strategy	District LED Forum, LED participatory committees at local level, LED mentorship programme	Low	DCS	Keep the current controls	Ongoing
Failure to stimulate and promote Local Economy	LED, marketing and investment strategy, investment incentives	Low	DCS	Keep the current controls	Ongoing
Failure to achieve community needs with regards to development(supporting SMME's)	Consultation with community to identify projects, participatory committees	Low	DCS	Keep the current controls	Ongoing
Loss of books	No controls in place	High	DCOOMS	Appointment of security. Installation of CCTV cameras	2016/2017

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
				and burglar doors with controlled access.	

Table 34: Top Ten Risks

The role of the risk committee is to provide timely and useful enterprise risk management report to the Audit Committee of the municipality. The report contains the current top risks of the municipality, which includes:

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

Further detail of the roles of the risk committee is included in the approved risk committee charter.

Name of Committee Member	Capacity	Meeting Date
F Manuel	CFO	11 May 2016
EV Diamane	Director Corporate Services	
Z Mtwana	Risk Officer	
MR Jack	Director Community Services	
M Owies	Director Technical Services	

Table 35: Risk Committee

2.8 Anti-Corruption and Anti-Fraud

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism 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
Anti-Corruption and Fraud Strategy	Yes	18 May 2015
Whistle Blowing Policy	Yes	8 October 2015

Table 36: Strategies

b) Implementation of Strategies

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Separation of duties at SCM was enforced	Manipulation of SCM Processes	Implement SCM regulation
Upgrade Traffic system (enatis)	Traffic Department	System with access limitation

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Appoint Transport Officer	Corporate Services	Reduce loss of revenue on fuel

Table 37: *Implementation of the Strategies*

2.9 Audit Committee

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.

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

a) Functions of the Audit Committee

- ☞ To advise the Council on all matters related to compliance and effective governance.
- ☞ To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation.
- ☞ Respond to the council on any issues raised by the Auditor-General in the audit report.
- ☞ To review the quarterly reports submitted to it by the internal audit.
- ☞ To evaluate audit reports pertaining to financial, administrative and technical systems.
- ☞ The compilation of reports to Council, at least twice during a financial year.
- ☞ To review the performance management system and make recommendations in this regard to Council.
- ☞ To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
- ☞ To review the annual report of the municipality.
- ☞ Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- ☞ Provide support to the Internal Audit function.
- ☞ Ensure that no restrictions or limitations are placed on the Internal Audit section.
- ☞ Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.

b) Members of the Audit Committee

The following table indicates the members of the Audit Committee:

Name of representative	Capacity
D Olifant	Chairperson
D Fourie	Member
C Penderis	Member

Table 38: *Members of the Audit Committee*

2.10 Performance Audit Committee

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

In terms of Section 166(4) (a) of the MFMA, an audit committee must consist of at least three persons with appropriate experience, of who the majority may not be in the employ of the municipality.

Section 166(5) of the MFMA, requires that the members of an audit committee must be appointed by the council of the municipality. One of the members, not in the employ of the municipality, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.

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

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

a) Functions of the Performance Audit Committee

In terms of Section 14(4) (a) of the Regulations the performance audit committee has amongst others the responsibility to -

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

b) Members of the Performance Audit Committee

The following table indicates the members of the Performance Audit Committee:

Name of representative	Capacity
D Olifant	Chairperson
G Nyl	Member
A Jaftha	Member

Table 39: *Members of the Performance Audit Committee*

2.11 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, 1996 and other statutory enactments all impose an obligation on local government 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. 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	Date Approved/Completed
Client Service Desk	Yes	2016
Facebook page	Yes	2015

Table 40: *Communication Activities*

Newsletters

Type of Newsletter	Distributed
Internal	No
External	No

Table 41: *Newsletter*

Awareness Campaigns

Topic	Description	Dates	Target Groups	Number of People Reached
Substance Abuse	Sport activities	20 August 2015	Young people from different communities	100
AIDS Candle Light Ceremony	Nonzwakazi Clinic	1 December 2015	People affected and infected by HIV and AIDS	80
Teenage Pregnancy	Dialogue	12 August 2015	Youth	40
Breast Cancer Awareness	Door to door	3 & 04 August 2015	women	70

Topic	Description	Dates	Target Groups	Number of People Reached
Domestic Violence	Door to door	18 & 19 August 2015	Households in Malaykamp, Barcelona, Leeuwenshof and Makarina	150
Crime Prevention	Door to door	13 October 2015	Community members	50
Peer Pressure	Discussions	January 2016	Gr 8 pupils	80

Table 42: Awareness Campaigns

Additional Communication Channels Utilised

Channel	Yes/No
SMS system	Yes
Call system and whatsapp	Yes

Table 43: Additional Communication Channels Utilised

2.12 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of S75 of the MFMA and S21A and B of the Municipal Systems Act (“MSA”) as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality’s communication strategy.

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

Description of information and/or document	Yes/No
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2015/16	Yes
Adjusted Budget 2015/16	Yes
Asset Management Policy	Yes
Customer Care, Credit control & Debt collection Policy	Yes
Indigent Policy	Yes

Description of information and/or document	Yes/No
Investment & Cash Management Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2015/16	Yes
Budget and Treasury Office Structure	Yes
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2015/16	Yes
IDP Process Plan for 2015/16	Yes
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e)&(f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed	Yes
Long Term borrowing contracts	Yes
SCM contracts above R30 000	Yes
Section 37 of the MFMA; No 56 of 2003 (Unsolicited Bids/Contracts)	Yes
Public invitations for formal price quotations	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2014/15	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
Local Economic Development (Section 26(c) of the Municipal Systems Act)	
Local Economic Development Strategy	Yes
LED Policy Framework	Yes
Economic Profile	Yes
LED Projects	Yes
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	Yes

Table 44: Website Checklist

Chapter 3

Service Performance Delivery

2015/16



CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2015/16 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

3.1 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.

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3.1.1 Legislative Requirements

The constitution of the RSA, 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.

In terms of section 46(1)(a) of the systems Act (Act 32 of 2000) 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 the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational Performance

Strategic performance indicates how well the municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans 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 Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of section 43 of the Municipal Systems Act, 2000.

3.1.3 Performance Management System used in the financial year 2015/16

The municipality continues to implement performance in terms of the performance management framework that was approved by Council in January 2011

3.1.4 The IDP and the Budget

The IDP and the main budget for 2015/16 was approved by Council on 28 May 2015. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer Service Delivery Budget Implementation Plan (SDBIP) on 9 June 2015. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI’s was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the

Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council through resolution R84(g)/2-16. The performance agreements of the senior managers was compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

3.1.5 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.
- 📌 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.

3.1.6 Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance is measured as follows:

- 📌 Quarterly reports was submitted to council on the actual performance in terms of the Top Layer SDBIP.
- 📌 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.

3.1.7 Individual Performance Management

Performance management is prescribed by chapter of the Municipal Systems Act, Act 32 of 2000 and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7 (1) of the aforementioned regulation 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, organized and managed, including determining the responsibilities of the different role players.” This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

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.

a) *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 557-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 2015/16 financial year was signed on 27 July 2015.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2014/15 financial year (1 January 2014 to 30 June 2014) took place on 14 September 2015 and the mid-year performance of 2015/16 (1 July 2014 to 31 December 2014) took place on 30 March 2016.

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

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2015/16

This section provides an overview of the key service achievements of the municipality that came to fruition during 2015/16 in terms of the deliverables achieved against the strategic objectives of the IDP

3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the municipality’s strategic plan and shows the strategic alignment between the IDP, Budget and Performance plans.

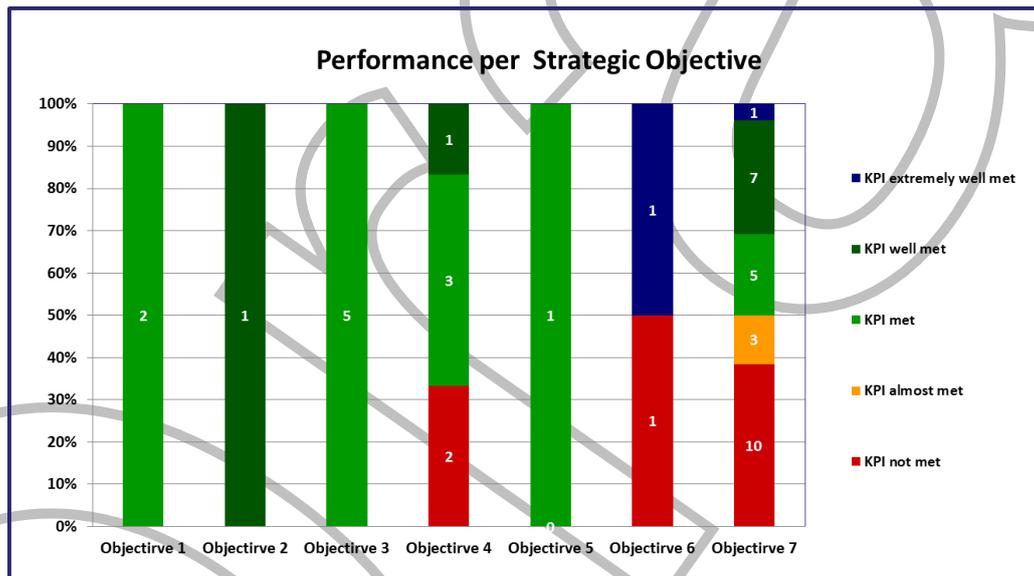
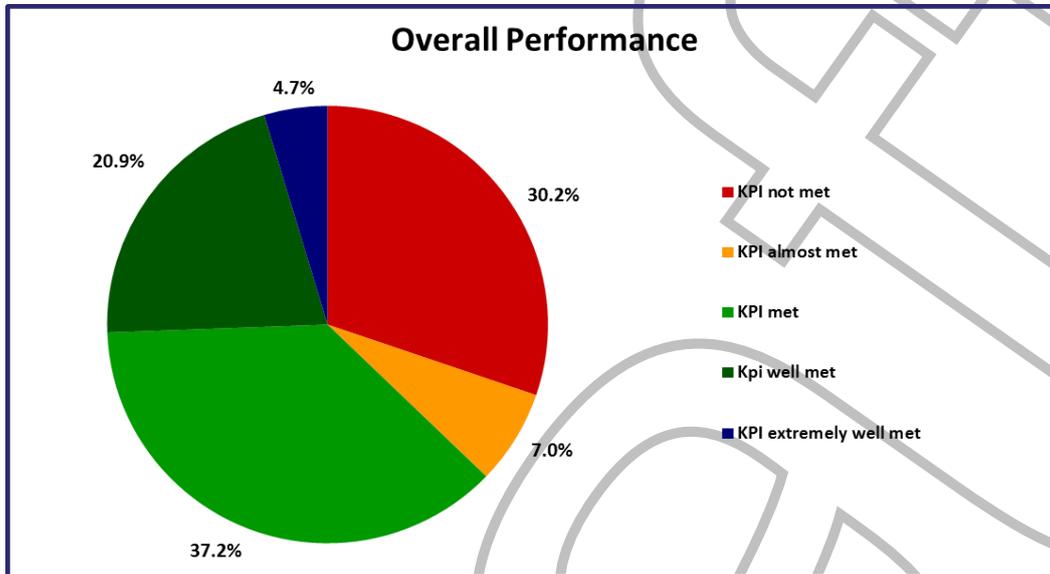
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI’s applicable to 2015/16 in terms of the IDP strategic objectives.

The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI’s) of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Yet Measured	Grey	KPI’s with no targets or actuals in the selected period
KPI Not Met	Red	0% > = Actual/Target < 75%
KPI Almost Met	Orange	75% > = Actual/Target < 100%
KPI Met	Green	Actual/Target = 100%
KPI Well Met	Dark Green	100% > Actual/Target < 150%
KPI Extremely Well Met	Blue	Actual/Target > = 150%

Figure 2: SDBIP Measurement Criteria

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:



Graph 1: Top Layer SDBIP per Strategic Objectives

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7
	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	Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives	Maintaining a financially sustainable and viable Municipality	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality	Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area	Provision of access to all basic services rendered to residents within the available resources
KPI Not Met	0	0	0	2	0	1	10
KPI Almost Met	0	0	0	0	0	0	3
KPI Met	2	0	5	3	1	0	5
KPI Well Met	0	1	0	1	0	0	7
KPI Extremely Well Met	0	0	0	0	0	1	1
Total	2	1	5	6	1	2	26

Table 45: Top Layer SDBIP per Strategic Objectives

a) Actual strategic performance and corrective measures that will be implemented

i) Top Layer SDBIP - 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	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL41	Review the Disaster Management Plan and submit to the District Municipality by 30 June 2016	Disaster Management Plan submitted to the District Municipality by 30 June 2016	All	1	0	0	0	1	1	1	G
TL44	Review the Community Safety Plan and submit to Council by 30 June 2016	Community Safety Plan submitted to Council by 30 June 2016	All	1	0	0	0	1	1	1	G

Table 46: Top Layer SDBIP – Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

ii) **Top Layer SDBIP - 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	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL5	Provide free basic services to indigent households as at 30 June 2016	Number of indigent households receiving free basic services as at 30 June 2016	All	2989 (Electricity, water, sanitation and refuse removal measured as one KPI during 2014/15)	0	0	0	2,400	2,400	3,422	G2

Table 47: **Top Layer SDBIP – Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor**

iii) **Top Layer SDBIP - Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives**

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL11	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with a municipality's approved employment equity plan by 30 June 2016	Number of people employed (newly appointed) by 30 June 2016	All	1	0	0	0	1	1	1	G
TL12	0.7% of the personnel budget spent on training as per the approved skills development plan by 30 June 2016 [(Actual total training expenditure/total personnel budget)x100]	(Actual total training expenditure/total personnel budget)x100	All	0.70%	0%	0%	0%	0.70%	0.70%	0.70%	G
TL37	Establish a client service desk by 31 March 2016	Service desk established by 31 March 2016	All	0	0	0	1	0	1	1	G
TL39	Review the Organigram and submit to council by 30 June 2016	Revised organogram submitted to council by 30 June 2016	All	New KPI for 2015/16. No comparative audited results available.	0	0	0	1	1	1	G
TL40	Review, workshop and submit the delegation	Revised delegation of powers submitted to council by 30 June 2016	All	New KPI for 2015/16. No comparative audited	0	0	0	1	1	1	G

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	of powers to council by 30 June 2016			results available.								

Table 48: **Top Layer SDBIP – Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives**

iv) Top Layer SDBIP - Maintaining a financially sustainable and viable municipality

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2016 ((Total operating revenue- operating grants received)/debt service payments due within the year))	(Debt coverage as at 30 June 2016 ((Total operating revenue- operating grants received)/debt service payments due within the year))	All	7.68	0	0	0	7.5	7.5	2.77	R
Corrective actions		The Municipality will intensify the credit control activity to ensure that the payment for services are increasing.									
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2016 ((Total outstanding service debtors/ revenue received for services)X100)	(Total outstanding service debtors/ revenue received for services)X100	All	54.60%	0%	0%	0%	35%	35%	47.60%	R
Corrective actions		A payment campaign will be developed and advocated by the Council to encourage consumers to pay for their municipal services.									
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2016 (Available cash+ investments)/ Monthly fixed operating expenditure)	((Available cash+ investments)/ Monthly fixed operating expenditure)	All	0.96	0	0	0	0.9	0.9	0.9	G
TL17	Submit the annual financial statements to the Auditor-General by 31 August 2015	Statements submitted to the AG by 31 August 2015	All	1	1	0	0	0	1	1	G
TL18	Achievement of a payment percentage of above 80% by 30 June 2016 ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	All	78.01%	0%	0%	0%	80%	80%	118.22%	G2

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL19	Prepare and submit to Council the adjustments budget by the 28 February 2016, the draft budget by 31 March 2016 and the final budget by 31 May 2016	Adjustments budget submitted by 28 February 2016, Draft budget by 31 March 2016 and Final Budget by 31 May 2016	All	3	0	0	2	1	3	3	G

Table 49: Top Layer SDBIP – Maintaining a financially sustainable and viable municipality

v) Top Layer SDBIP - Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni Municipality

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL16	Develop Risk based audit plan and submit to the audit committee for approval by 30 June 2016	RBAP submitted to the audit committee by 30 June 2016	All	1	0	0	0	1	1	1	G

Table 50: Top Layer SDBIP – Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality

vi) Top Layer SDBIP - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL10	Create temporary jobs - FTE's in terms of EPWP by 30 June 2016 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2016	All	360	0	0	0	39	39	110	B
TL38	Revise the LED strategy and submit to council by end 31 May 2016	Revised strategy submitted to council by 31 May 2016	All	New KPI for 2015/16. No comparative audited results available.	0	0	0	1	1	0	R
Corrective action		An advertisement was placed to obtain a service provider, but there was no response on the advertisement. The advertisement will be placed again to reach a larger target audience.									

Table 51: Top Layer SDBIP – Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

vii) Top Layer SDBIP - Provision of access to all basic services rendered to residents within available resources

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network as at 30 June 2016	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2016	All	8163	0	0	0	8,000	8,000	8,168	G2
TL2	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) as at 30 June 2016	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2016	All	8163	0	0	0	8,000	8,000	8,168	G2
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) as at 30 June 2016	Number of residential properties which are billed for sewerage as at 30 June 2016	All	8163	0	0	0	8,000	8,000	8,030	G2
TL4	Number of formal residential properties for which refuse is removed once per week as at 30 June 2016	Number of residential properties which are billed for refuse removal as at 30 June 2016	All	8163	0	0	0	8,000	8,000	8,273	G2
TL9	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2016 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2016 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	All	New KPI for 2015/16. No comparative audited results available.	0%	0%	0%	80%	80%	62.10%	O
Corrective action		The slow spending of capital is due to the contractors on site not really performing. Contractors will be monitored more closely									
TL20	90% of the water maintenance budget spent by 30 June 2016 (Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent	All	70%	0%	0%	0%	90%	90%	63.16%	R
Corrective action		Contractors must be monitored more closely									

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL21	Limit % water unaccounted for quarterly to 19.5% [(Number of Kilotres Water Purchased or Purified - Number of Kilotres Water Sold) / (Number of Kilotres Water Purchased or Purified) × 100]	(Number of Kilotres Water Purchased or Purified - Number of Kilotres Water Sold) / (Number of Kilotres Water Purchased or Purified) × 100	All	25.3%	19.5%	19.5%	19.5%	19.5%	19.5%	24.34%	R
Corrective action		Boreholes get over-withdrawn, which leads to an inaccurate reading as air is measured as water. This issue will persist until extra boreholes are constructed. The project to develop 12 extra boreholes in order to address the problem are dependent on a water use licence (WUL) from DWS. Infrastructure Services will monitor progress with DWS.									
TL22	95% water quality quarterly as per SANS 241 requirements	% water quality level	All	100%	95%	95%	95%	95%	95%	66.86%	R
TL23	90% of the waste water maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent by 30 June 2016	All	51%	0%	0%	0%	90%	90%	76.09%	R
Corrective action		Spending must be monitored more closely									
TL24	Construct 2 km new surfaced roads by 30 June 2016	Number of kilometres constructed by 30 June 2016	All	4.4	0	0	0	2	2	1.5	O
Corrective action		Contractor appointments must be closely monitored. Strict measures must be employed when contractors are not performing e.g. payment of penalty fees.									
TL25	90% of the roads and stormwater maintenance budget spent by 30 June 2016 (Actual expenditure divided by the approved budget)X100)	% of approved roads and stormwater maintenance budget spent by 30 June 2016	All	70%	0%	0%	0%	90%	90%	57.06%	R
Corrective action		Spending must be monitored more closely									
TL26	Reseal 1km existing tar roads by 30 June 2016	Number of kilometres resealed by 30 June 2016	All	0.5	0	0	0	1	1	1.29	G2
TL27	Limit % electricity unaccounted for to 22% by 30 June 2016 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) × 100]	(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) × 100	All	11%	0%	0%	0%	22%	22%	13.3%	B
TL28	90% of the recreational and swimming pool maintenance budget spent by 30 June 2016	% of approved recreational areas and swimming pool maintenance budget	All	77.02%	0%	0%	0%	90%	90%	39.58 %	R

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	((Actual expenditure divided by the approved budget)X100)	spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100)										
TL29	90% of the electricity maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100)	All	94%	0%	0%	0%	90%	90%	109.60%	G2	
TL30	Complete the New Streets Phase 1 project by 30 June 2016	Project completed by 30 June 2016	1; 2; 4	New KPI for 2015/16. No comparative audited results available.	0	0	0	1	1	0	R	
Corrective action		Contractor appointments must be closely monitored. Strict measures must be employed when contractors are not performing e.g. payment of penalty fees.										
TL31	Appoint service provider for Stormwater Phase 2 by 31 December 2015	Service provider appointed by 31 December 2015	All	New KPI for 2015/16. No comparative audited results available.	0	1	0	0	1	0	R	
TL32	Appoint service provider for Hanover Bulk Sewerage and Pump Station 31 December 2015	Service provider appointed by 31 December 2015	All	New KPI for 2015/16. No comparative results available.	0	1	0	0	1	1	G	
TL34	90% of approved budget spent by 30 June 2016 for electricity upgrades in Nonzwakazi & De Aar East and Waterdal (INEP & DBSA) {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100}	3; 5	New KPI for 2015/16. No comparative audited results available.	0%	0%	0%	90%	90%	100.1%	G2	
TL35	90% of approved budget spent by 30 June 2016 to install prepaid electricity meters {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100}	All	New KPI for 2015/16. No comparative audited results available.	0%	0%	0%	90%	90%	29.17%	R	
Corrective action		Spending must be monitored more closely										
TL42	Review the Integrated Waste Management Plan and submit to Council by 30 June 2016	Integrated Waste Management Plan submitted to Council by 30 June 2016	All	1	0	0	0	1	1	1	G	
TL43	Review the Housing sector plan and submit	Housing sector plan reviewed and	All	New KPI for 2015/16. No	0	0	0	1	1	1	G	

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2015/2016							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	to Council by 30 June 2016	submitted to Council by 30 June 2016		comparative audited results available.								
TL45	90% of the maintenance budget of refuse removal spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	New KPI for 2015/16. No comparative audited results available.	0%	0%	0%	90%	90%	45.09%	R	
TL46	Erect 4 Dumping Signs to prevent illegal dumping by 31 March 2016	Number of signs erected by 31 March 2016	All	New KPI for 2015/16. No comparative audited results available.	0	0	4	0	4	1	R	
TL47	Annual verification of all applicants for low cost housing by 30 June 2016	Annual verification completed by 30 June 2016	All	New KPI for 2015/16. No comparative audited results available.	0	0	0	1	1	1	G	
TL48	Submit the housing application to the Provincial Dept of Housing by 30 September 2015	Housing application submitted by 30 September 2015	All	New KPI for 2015/16. No comparative audited results available.	1	0	0	0	1	1	G	

Table 52: Top Layer SDBIP - Provision of access to all basic services rendered to residents within available resources

b) 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. According to AG's office:

-  Service provider means a person or institution or any combination of persons and institutions which provide a municipal service
-  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 a municipal service 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.

3.2.2 Municipal Functions

a) Analysis of Functions

The table below indicates the functional areas that the municipality are responsible for in terms of the Constitution:

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

Municipal Function	Municipal Function (Yes/ No)
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 53: **Functional Areas**

3.3 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.

3.3.1 Water Provision

a) Introduction to Water Services

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 Water Conservation and Water Demand Management (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 2015/16 financial year were 24.34% compared to 25.3% in 2014/15. This increase is a direct result of a drop in the water table and the water meters measuring air as water pumped. Boreholes get over-withdrawn, which leads to an inaccurate reading as air is measured as water. This issue will persist until extra boreholes are constructed. The project to develop 12 extra boreholes in order to address the problem are dependent on a water use licence (WUL) from Department of Water and Sanitation (DWS). Infrastructure Services will monitor progress with DWS.

All residents have access to basic water services and the first 6kl of water is supplied free of charge to all households.

b) Highlights: Water Services

The table below specifies the highlights for the year:

Highlight	Description
Good water quality	99% passing rate of water samples as per SANS 241

Table 54: Water Services Highlights

c) Challenges: Water Services

The table below specifies the challenges for the year:

Description	Actions to address
Development of extra water sources (12 additional boreholes)	Obtain WUL from DWS
Staff shortages within water section	Vacancies to be filled within the 2016/17 financial year

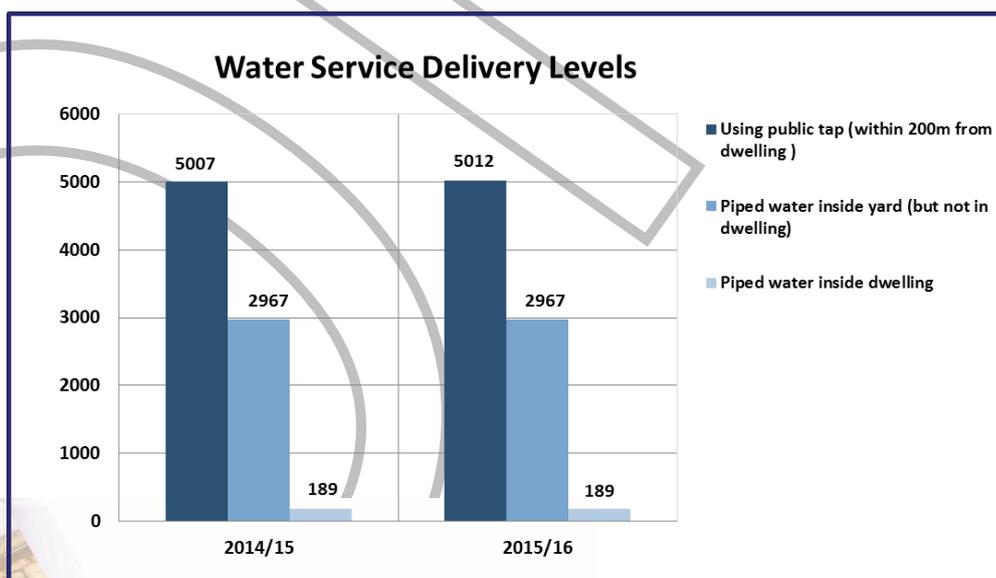
Table 55: Water Services Challenges

d) Service Delivery Levels: Water Services

The table below specifies the service delivery levels for the year:

Households		
Description	2014/15	2015/16
	Actual	Actual
	No.	No.
Water: (above min level)		
Piped water inside dwelling	5 007	5 012
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	8 163	8 168
Minimum Service Level and Above Percentage	100	100
Water: (below min 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	8 163	8 168
<i>Include informal settlements</i>		

Table 56: Water Service Delivery Levels: Households



Graph 2: Water Service Delivery Levels

Access to Water			
Financial year	Number/Proportion of households with access to water points*	Proportion of households with access to piped water	Number /Proportion of households receiving 6 kl free#
2014/15	189	7 859	8 163
2015/16	189	7 979	8 168

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

Table 57: Access to Water

d) Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	7	3	30
4 - 6	5	5	0	0
7 - 9	3	2	1	33
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	19	15	4	21

Table 58: Employees: Water Services

e) Capital: Water Services

The following table indicates the capital expenditure for this division:

Water Services					
R'000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Regional bulk infrastructure grant	10 000	0	0	(10 000)	10 000
Purchase of machinery	180	180	14	(166)	180

Table 59: Capital Expenditure 2015/16: Water Services

3.3.2 Waste Water (Sanitation) Provision

a) Introduction to Waste Water (Sanitation) Provision

Various types of sanitation are currently provided: full waterborne sewerage, flushing toilets with vacuum tanks, Utility 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 had to be upgraded urgently and project approval has been obtained from MIG during the past year. The upgrading started during 2013/2014 and was completed during 2015/16.

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

b) Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlight	Description
Upgrading (phase 2) of the De Aar Waste Water Treatment Works (WWTW)	Upgrading of the WWTW so that effluent could comply with DWS standards
Bucket Eradication Programme (BEP)	Funding was obtained for the BEP in Emthanjeni for the 2015/16 financial year
Upgrading of UDS toilets	17 UDS toilets were upgrade to septic tanks

Table 60: Waste Water (Sanitation) Provision Highlights

c) Challenges: Waste Water (Sanitation) Provision

The table below specifies the challenges for the year:

Description	Actions to address
Shortage of skilled and experienced personnel in Department: Waste Water	Filling of the vacancies with experienced and qualified personnel
Funding for BEP in Britstown and Hanover	Apply for additional funding for the Bulk Infrastructure to eradicate the buckets in Britstown and UDS in Hanover

Table 61: Waste Water (Sanitation) Provision Challenges

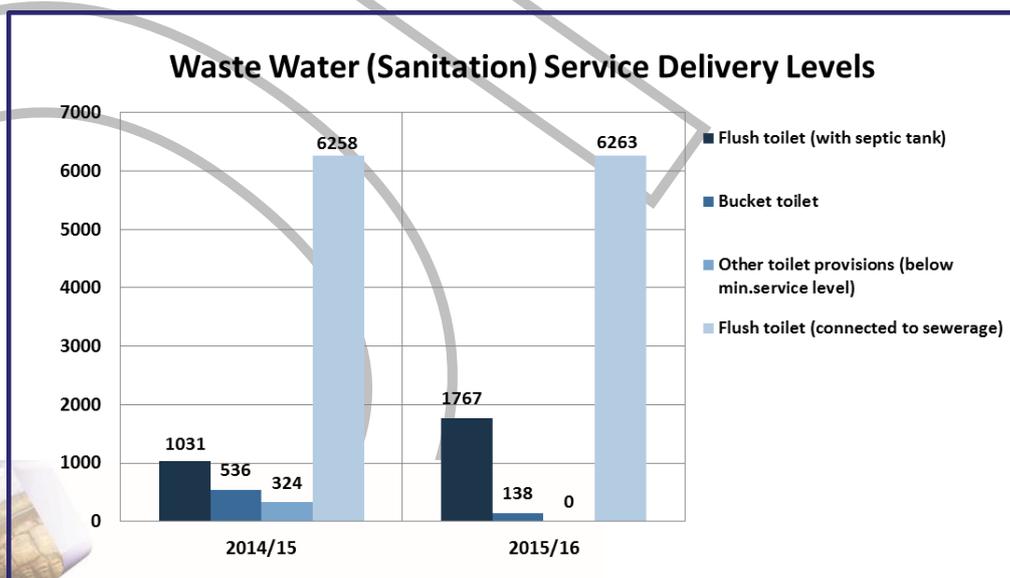
The table below specifies the different sanitation service delivery levels per households for the financial years 2014/15 and 2015/16 in the areas in which the municipality is responsible for the delivery of the service:

d) Services Delivery levels: Waste Water (Sanitation) Provision

The table below specifies the service delivery levels for the year:

Households		
Description	2014/15	2015/16
	Outcome	Actual
	No.	No.
Sanitation/sewerage: (above minimum level)		
Flush toilet (connected to sewerage)	6 258	6 263
Flush toilet (with septic tank)	1 031	1 767
Chemical toilet	0	0
Pit toilet (ventilated)	14	0
Other toilet provisions (above min.service level)	0	0
Minimum Service Level and Above sub-total	7 303	8 030
Minimum Service Level and Above Percentage	89.46	98.37
Sanitation/sewerage: (below minimum level)		
Bucket toilet	536	138
Other toilet provisions (below min.service level)	324	0
No toilet provisions	0	0
Below Minimum Service Level sub-total	860	138
Below Minimum Service Level Percentage	10.54	1.63
Total households	8 163	8 168
<i>Including informal settlements</i>		

Table 62: Waste Water (Sanitation) Provision Service Delivery Levels



Graph 3: Sanitation/Sewerage Service Delivery Levels

e) Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	11	0	0
4 - 6	8	8	0	0
7 - 9	5	1	4	80
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	24	20	4	17

Table 63: Employees Waste Water (Sanitation) Provision

f) Capital: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Bucket eradication	33 167	33 167	0	(33 167)	33 167
Main sewer erection	2 791	2 791	2 819	28	2 819
Purchase of equipment	31	0	0	(31)	31

Table 64: Capital Expenditure 2015/16: Waste Water (Sanitation) Provision

3.3.3 Electricity

a) Introduction to Electricity

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 Energy Losses for the 2014/15 financial year were 11.8% whilst the losses in the 2015/2016 financial year were 13.3%.

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.

b) Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Funding secured for the electricity upgrade in De Aar East – Integrated National Electrification Programme (INEP) phase 2	Upgrades are required as the network is overloaded and some areas experience power dips
Funding obtained for high mast and street lights in dark spots (Dark areas where there is no streetlights)	MIG funding was obtained to erect high mast and street lights in dark areas and construction is currently underway

Table 65: Electricity Highlights

c) Challenges: Electricity

The table below specifies the challenges for the year:

Description	Actions to address
Plessey type meter tampering and bypass that causes a loss of revenue	Plessey type meters are being replaced with LG110 type
Vandalism of equipment that results in loss of electricity	Communities to be informed about the criminal activities and requested to assist the municipality

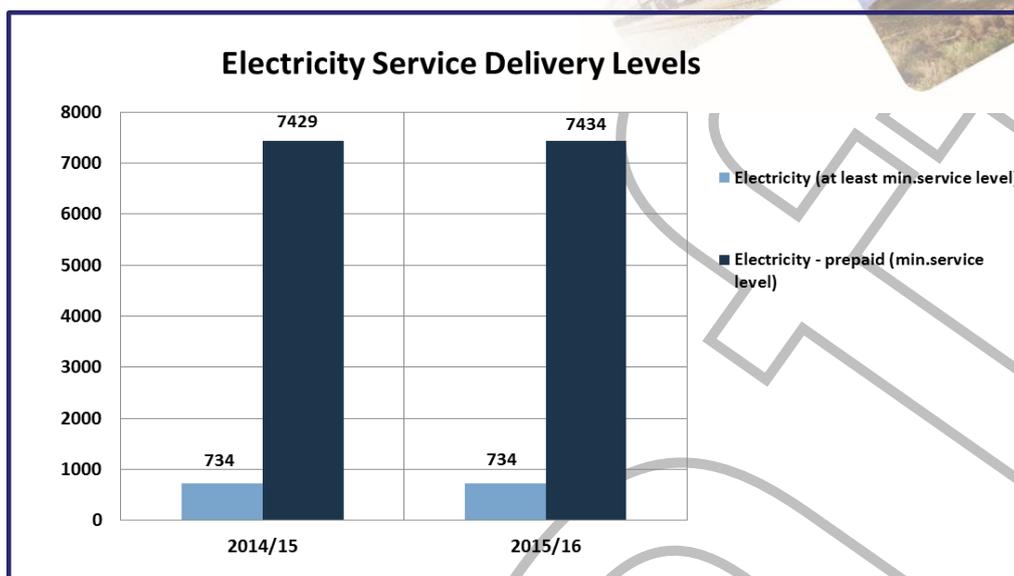
Table 66: Electricity Challenges

d) Service Delivery Levels: Electricity

The table below specifies the service delivery levels for the year:

Description	Households	
	2014/15	2015/16
	Actual	Actual
	No.	No.
Energy: (above minimum level)		
Electricity (at least min.service level)	734	734
Electricity - prepaid (min.service level)	7 429	7 434
Minimum Service Level and Above sub-total	8 163	8 168
Minimum Service Level and Above Percentage	100	100
Energy: (below minimum level)		
Electricity (< min.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	8 163	8 168

Table 67: Electricity Service Delivery Levels



Graph 4: Electricity Service Delivery Levels

e) Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	7	3	30
4 - 6	12	11	1	8
7 - 9	4	4	0	0
10 - 12	8	8	0	0
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	35	31	4	11

Table 68: Employees: Electricity Services

f) Capital: Electricity

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Integrated national electrification programme	1 500	1 500	1 500	0	1 500
Procurement of smart meters	3 546	0	0	(3 546)	3 546
Purchasing of pre – paid meters	180	600	600	420	600

Table 69: Capital Expenditure 2015/16: Electricity

3.3.4 Waste Management (Refuse collections, waste disposal, street cleaning and recycling)

a) Introduction to Waste Management

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. Additional programmes were introduced to improve waste management in the municipal area.

b) Highlights: Waste Management

The table below specifies the highlights for the year:

Highlights	Description
Additional workers	Appointed additional general workers
Dedicated cleaning team	Introduction of rapid response cleaning team in all areas
Municipal cleaning campaign	Hosted cleaning campaign throughout the municipal area and changed the image of illegal hotspot
Youth in waste programme	Programme continued and assisted the municipality positively

Table 70: Waste Management Highlights

c) Challenges: Waste Management

The table below specifies the challenges for the year:

Description	Actions to address
Illegal dumping still evident	Host awareness programmes to educate the communities on keeping the environment clean
Lack of machinery to perform waste management and minimisation efforts	Finalisation of procurement of machinery to improve services

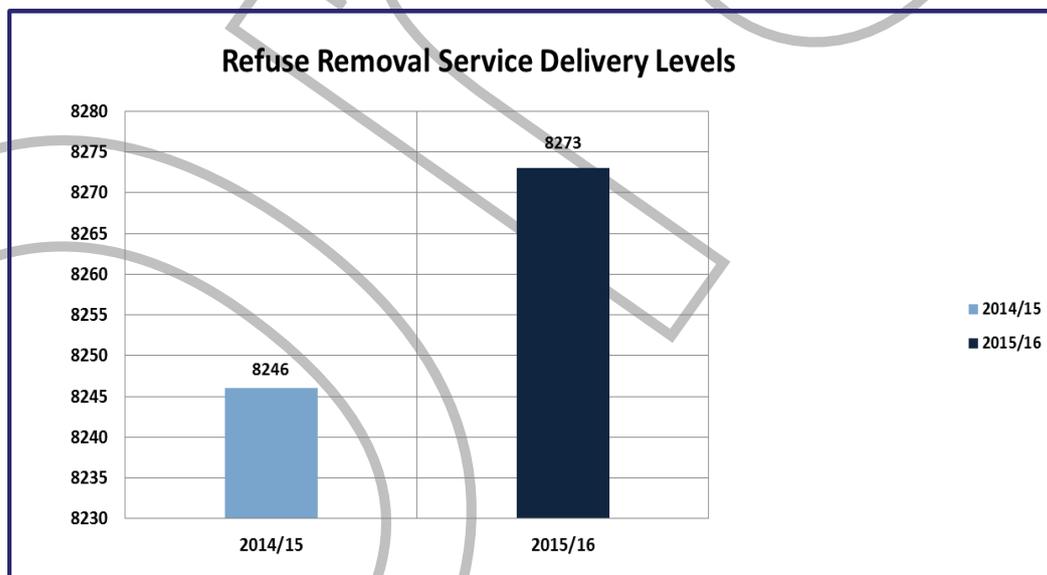
Table 71: Waste Management Challenges

d) Service Delivery Levels: Waste Management

The table below specifies the service delivery levels for the year:

Description	Households	
	2014/15	2015/16
	Actual	Actual
	No.	No.
Solid Waste Removal: (Minimum level)		
Removed at least once a week	8 246	8 273
Minimum Service Level and Above sub-total	8 246	8 273
Minimum Service Level and Above percentage	100	100
Solid Waste 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	8 246	8 273

Table 72: Waste Management Service Delivery Levels



Graph 5: Waste Management Service Delivery Levels

e) Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	50	39	11	22
4 - 6	9	8	1	11
7 - 9	4	2	2	50
10 - 12	0	0	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	65	51	14	22

Table 73: Employees: Waste Management

f) Capital: Waste Management

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Purchasing of equipment	31	31	0	(31)	31

Table 74: Capital Expenditure 2015/16: Waste Management

3.3.5 Housing

a) Introduction to Housing

The Emtjanjeni Housing Division resorts under the Community Services Directorate of the Emthanjeni Municipality. The municipality, in 2006, took a decision to adjust the organogram in terms of the Housing Office. The municipality has a fully functional division that takes care of the day-to-day running of the housing function within the municipality and is also ready to discharge additional functions as it is also in process to apply for level two accreditation. The Housing Division is comprised of four sub-divisions with a Divisional Head, as the responsible line manager, and De Aar: Senior Admin Officer (1), Housing Admin (1), Housing Clerk (1), Consumer Education Clerk (2) Britstown: Housing Clerk (1), Consumer Education Clerk (1) Hanover: Senior Housing Clerk (1), Housing Clerk (1), Consumer Education Clerk (1). The organogram of the municipality clearly shows Emthanjeni's readiness to handle level one and level two functionalities. Emthanjeni Municipality has shown and demonstrated capacity to administer different National Housing Programmes 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.

Amongst others, the housing unit of Emthanjeni is tasked to:

-  Ensure that sustainable housing development takes place
-  Integrate housing with other municipal services and sectors in order to establish sustainable human settlements
-  Coordinate municipal departments to work together in planning and implementing housing projects
-  Promote middle and high-income housing which will turn generate resources to improve low-income areas
-  Promote environmental sensitive and energy efficient housing and invest more in the green economy, by means of solar geysers and alternate building material that has a better heat discharge

Housing need:

The housing backlog in Emthanjeni Municipality is a serious concern. The total backlog is 4391 of which 250 is for Gap Housing. Given the strategic decision to focus in the first instance on subsidy and Gap Housing, the needs can be summarized as follows:

Subsidy	4 141
Gap	250
Total	4 391

b) Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Hanover 470 Servicing of sites	Servicing of 470 sites in Hanover were completed
Construction of sewer pump station for 470 sites in Hanover	Construction currently in progress
Housing consumer education programmes	Housing consumer education programmes has been rolled-out to the whole Emthanjeni municipal area

Table 75: **Housing Highlights**

c) Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Eradication of the housing backlog	Compilation of business plans to apply for funding in order to eradicate the housing backlog
Shortage of building materials caused delays	There are now more hardware stores in town and regular interactions with suppliers must be done
Allocations of housing projects not sufficient	Discussions and regular meetings with COGHSTA National and Provincial must be conducted
Performance by contractors	Training by NHBRC and COGHSTA provided to contractors

Table 76: **Housing Challenges**

d) Housing Statistics

The table below specifies the service delivery levels for the year:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2014/15	8 209	7 905	96.3
2015/16	8 209	7 905	96.3

Table 77: 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 4 391 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2014/15	4 141	0.7
2015/16	4 391	6.7

Table 78: Housing Waiting List

Financial year	Number of houses built	Number of sites serviced
2014/15	0	De Aar 2 386 sites Britstown 800 sites Hanover 599 sites
2015/16	0	470 Hanover sites

Table 79: Houses Built and Sites Services

e) Employees: Housing

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	6	3	33
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
19 - 20	0	0	0	0
Total	12	9	3	25

Table 80: *Employees: Housing*

f) Capital: Housing

There were no capital projects for the 2015/16 financial year.

3.3.6 Free Basic Services and Indigent Support

a) Introduction

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the Financial System (Abakus) and the Pre-paid Electricity System. Credit Control officials are continuously updating Indigent Households (IHH) on the Pre-paid Electricity System.

New indigent household applications were processed and approved, so that these households received their levied Free Basic Services (FBS) during the month. Indigent households will receive their FBS in the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than R3 500 per month will receive the free basic services as prescribed by national policy. The table, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

The table below indicates that 24% of the total number of households received free basic services in 2014/15 financial year whilst it increased to 27.13% in the 2015/16 financial year:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2014/15	12 615	2 989	24	2 989	24	2 989	24	2 989	24
2015/16	12 615	3 422	27.13	3 422	27.13	3 422	27.13	3 422	27.13

Table 81: *Free Basic Services to Indigent Households*

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'000			R'000			R'000
2014/15	2 508	36.50	1 099	9 626	36.50	0	481	36.50	211
2015/16	3 422	50	1 905	9 193	36.50	0	445	50	248

Table 82: Free Basic Electricity Services to Indigent Households

Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2014/15	2 989	76.63	2 749	9 626	62.19	7 184
2015/16	3 422	82.86	3 403	4 078	45.90	2 246

Table 83: Free Basic Water Services to Indigent Households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2014/15	2 989	152.11	5 456	9 626	152.11	0
2015/16	3 422	161.99	6 652	9 193	161.99	0

Table 84: 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	No. of HH	R value per HH	Value
			R'000			R'000
2014/15	2 989	(1) once	3 402	9 626	94.84	0
2015/16	3 422	(1) once	4 148	9 193	101.02	0

Table 85: Free Basic Refuse Removal Services to Indigent Households

3.4 COMPONENT B: ROAD TRANSPORT

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

3.4.1 Roads

a) Introduction to Roads

During the past year the municipality tarred 4.68km of new streets from MIG funds and that brings the total of tar roads within the municipal area to 84.4km. At present about 58% of all municipal streets are still gravel roads which cause a great deal of inconvenience following rain and during strong wind.

b) Highlights: Roads

The table below specifies the highlights for the year:

Highlight	Description
Tarring of new roads	0.487 km of new tar road were constructed

Table 86: Roads Highlights

c) Challenges: Roads

The table below specifies the challenges for the year:

Description	Actions to address
Restricted funding to reseal roads	Source additional funding to supplement own funding for the resealing of roads
Shortage of staff and skilled personnel	Filling of vacancies with qualified and experienced personnel

Table 87: Roads Challenges

d) Statistics: Roads

The table below specifies the service delivery levels for the year:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2014/15	121.77	0	4.68	121.77
2015/16	121.28	0	0.49	121.28

Table 88: Gravel Road Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2014/15	80.4	4.68	0	0.5	75.7
2015/16	84.9	0.49	0	1	84.9

Table 89: *Tarred Road Infrastructure*

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

Financial year	New & Replacements	Resealed	Maintained
	R'ooo		
2014/15	10 029	172	1 825
2015/16	996	800	252

The cost for maintenance include stormwater

Table 90: *Cost of Construction/Maintenance of Roads*

e) Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	19	18	1	5
4 - 6	20	15	5	25
7 - 9	7	5	2	29
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	47	39	8	17

Table 91: *Employees: Roads*

f) Capital: Roads

The following table indicates the capital expenditure for this division:

Roads					
R'000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Construction of streets	8 500	8 500	4 516	(3 984)	8 500
Own capital: Construction of new streets	2 000	2 000	179	(1 821)	3 000
Own capital: Resealing of streets	800	800	290	(510)	800

Table 92: Capital Expenditure 2015/16: Roads

3.4.2 Waste Water (Stormwater)

a) Challenges: Waste Water (Stormwater)

The table below specifies the challenges for the year:

Description	Actions to address
Maintenance of stormwater systems due to budget constraints	Investigate possible solution to improve stormwater systems and make budgetary provision for equipment and personnel

Table 93: Waste Water (Stormwater) Challenges

b) Services Delivery Statistics

The table below shows the total kilometers of stormwater system maintained and upgraded as well as the kilometers of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2014/15	0	0.35	0.56
2015/16	0	0	0.56

Table 94: Waste Water (Stormwater) Services Delivery Statistics

c) Employees: Waste Water (Stormwater)

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	7	6	1	14
4 - 6	6	6	0	0
7 - 9	1	0	1	100
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	14	12	2	14

Table 95: *Employees: Waste Water (Stormwater)*

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

3.5.1 Planning

a) Introduction to Planning

Town Planning and Building Control falls under the Manager: Project Management Unit. There is only one position, namely Building Inspector, currently in this division. The post of Building Inspector is vacant and despite being advertised on several occasions, no suitable candidate was found.

If the services of a qualified Town Planner are required, the services of the District Municipality are utilized, who currently have two qualified Town Planners in their service. With the implementation of SPLUMA (Act No 16 of 2013), is now a great need of permanent qualified Town Planner who can also execute the function of Land Development Officer (LDO).

The Manager: Project Management Unit currently dealt with all issues relating to land use and building control.

Spatial Development Framework (SDF) and Land Use Management Scheme (LUMS)

Both the SDF and LUMS are outdated and do not comply with the current legislation. During a recent evaluation of the current SDF, it was found that it could not be updated, and will have to be redrafted to bring it into line with SPLUMA legislation.

Implementation of SPLUMA

All municipalities falling under the Pixley ka Seme District Municipality accepted the option of a District Municipal Planning Tribunal (DMPT). Emthanjeni Municipality has complied with all requirements for the implementation of SPLUMA.

b) Highlights: Planning

The table below specifies the highlights for the year:

Highlights	Description
Speedy approval building plans	All building plans received are currently dealt within the prescribed legal timeframes. The average time for approval of building plans is 2 weeks at present
Increase in development	Various new business developments in De Aar were completed or planned

Table 96: *Planning Highlights*

c) Challenges: Planning

The table below specifies the challenges for the year:

Description	Actions to address
Staff shortages / Vacant posts	The posts of a Building Control Officer and registered Town Planner must be advertised and the appointments made
Shortages of office space	New offices must be constructed

Table 97: *Planning Challenges*

d) Statistics: Planning

The table below specifies the service delivery levels for the year:

Applications for Land Use Development				
Detail	Formalisation of Townships		Rezoning	
	2014/15	2015/16	2014/15	2015/16
Planning application received	0	0	14	12
Determination made in year of receipt	0	0	2	4
Determination made in following year	3 861	0	0	5
Applications withdrawn	0	0	0	0
Applications closed	3 861	0	2	9
Applications outstanding at year end	0	0	12	3
Awaiting DEA&DP decision	0	0	0	1

Table 98: *Applications for Land Use Development*

Type of service	2014/15	2015/16
Building plans application processed	102	118
Total surface (m ²)	12 509	11 397
Approximate value	R30 165 863	R29 070 957
New residential dwellings	29	7
Residential extensions	76	91

Type of service	2014/15	2015/16
New Business buildings	1	8
Business extensions	5	9
Land use applications processed	17	12

Table 99: *Additional Performance Town Planning and Building Control*

e) Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	2	1	1	50
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33

Table 100: *Employees: Planning*

f) Capital: Planning

There were no capital projects for the 2015/16 financial year.

3.5.2 Local Economic Development (including tourism and market places)

a) Highlights: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description
Hydroponic project	Private investors have shown interest in investing and growing the project and to create more sustainable jobs
Community Works Programme (CWP) expansion	CWP community cleaning programs has created more than 900 jobs
Development or business land acquisition has become a need for business opportunities	More developers have shown interest on the development of the area especially on Shopping centers, town houses and other development
Schreiner Retail Pack Centre Development	Municipality handed over the site to the developer and the contractor for the development of the Mall

Highlights	Description
Organising of SMME's according to sectors	Different sectors have been organised: Emthanjeni Emerging Farmers, contractors and brick makers. Still finalising other sectors formations

Table 101: LED Highlights

b) Challenges: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address
Need for compilation of LED Strategy for identification of projects and programmes to guide the municipal development	Municipality to prioritise the compilation of LED Strategy through assistance of different stakeholders
Non-existence of LED Forum for engagement on developmental issues	Process has already started to organise sectors in order to be represented, then a forum for different stakeholders will be organised within first quarter of next financial year
Lack of financial support and budget for LED Projects	During budgetary process there's need to identify maybe two to three projects and be budgeted for
Lobbying of chain stores especially food outlets	Developers who intend to build shopping centres will priorities at least two more chain stores and two food outlets as part of encouraging economic development through private investment

Table 102: Challenges LED

d) Job Creation: EPWP

Details	Jobs created through EPWP projects
	No.
2014/15	180
2015/16	110

Table 103: Job Creation Through EPWP Projects

e) Tourism

From the assessment undertaken of the tourism environment, it is evident that Emthanjeni has immense untapped tourism potential. However, there needs to be significant effort put in developing Emthanjeni into a thriving tourist destination including:

-  Focused tourism development
-  Restoration and listing of Heritage sites for tourism development purposes
-  Active promotion of the municipality as a prime tourist destination
-  Acquisition of adequate and competent human resource to champion tourism development in the municipality
-  Tourism infrastructure development

i) **Marketing Plan for Emthanjeni Tourism and Events**

The continuous marketing of a tourist destination is crucial to its continued development and provides exposure to a wider audience in order to entice travel as well as entrench the destination brand in the minds of potential tourists. The Marketing Framework provides direction through specific short, medium and long term strategies aimed at meeting the key marketing objectives for the Northern Cape.

The marketing framework is largely informed by the planning of the Northern Cape Tourism Authority as they are responsible for many actions described in the detailed framework.

Short Term Direction:

Short term focus should be on the continuation of established marketing and branding initiatives that assist in creating awareness of the municipality and its attractions.

This includes producing and distributing branding / marketing collateral.

-  attending events, trade shows and workshops, and partaking in domestic
-  and international marketing campaigns, media / PR campaigns
-  developing online and social media presence, etc
-  Hosting events
-  to free-up the Northern Cape Tourism Authority to focus on marketing and branding the province

Medium Term Direction

-  Quality market intelligence forms the cornerstone of improving the marketing efforts
-  Research and refine target markets if necessary and benefit from an improved
-  understanding of visitor behaviour (market segmentation)
-  Specific information will inform future marketing plans and initiatives as well brand repositioning.

Long Term Direction

New product development, improved market intelligence and marketing success in the meetings, conferences, etc.

-  To align brand standards short and medium term will inform expansion, refinement and refocusing of promotional efforts in the long term
-  A wider range of specific and more detailed marketing campaigns can now be launched, while the level of market awareness and strength of positioning should be continually addressed
-  Update / refresh brand and brand message

The vision is therefore to transform the local economy through dedicated tourism development and promotion by positioning Emthanjeni Municipality (which includes De Aar, Britstown and Hanover) into the Karoo Destination of Choice for local economic benefits.

Key Interventions

The responsibility of marketing and branding the province falls on the Northern Cape Tourism Authority. They are responsible for their own planning in terms of key marketing and branding actions that they implement on an annual basis. We have so far possible, incorporated their most recent planning to inform the marketing framework.

Tourism Indaba

Indaba is one of the largest tourism marketing events on the African calendar and one of the top three ‘must visit’ events of its kind on the global calendar. It showcases the widest variety of Southern Africa's best tourism products, and attracts international visitors and media from across the world. Indaba is owned by South African Tourism and organized by Witch & Wizard Creative (Pty) Ltd. Indaba is a four day trade event that attracts well over 13000 delegates from the travel tourism and related industries.

Tourism Indaba gives the Municipality an opportunity to market themselves as a tourist’s destination of the Karoo region. The Municipality developed a Tourism Strategy that need to be marketed in order to outsource funding from other financial institutions, in order to develop tourism in the Municipality.

Emthanjeni Municipality Attended the INDABA

Emthanjeni Municipality attended the Tourism Indaba to promote and marketing tourists’ attractions of Emthanjeni Municipality and representing the entire Pixley ka Seme District. Emthanjeni Municipality was promoted as The Karoo Destination of Choice. There’s a lot of interest on Solar Energy Projects that are currently operating in the municipality and tourists are interested to visit the Karoo and enjoy the experience.

ii) Highlights: Tourism

The following challenges with regard to the implementation of the Tourism Strategy are:

Highlights	Description
Data collection project	Data collection from stakeholders that form part of Tourism Value Chain
Renovation and branding of the Britstown Museum	Stakeholders have been engaged to assist in this project including the Department of Tourism
Heritage and Tourism Day celebration	To involve different stakeholders including sector departments in celebrating Heritage and Tourism Day in September

Table 104: **Highlights: Tourism**

iii) Challenges: Tourism

The following challenges with regard to the implementation of the Tourism Strategy are:

Description	Actions to address
Non-existence of Tourism Development Forum	All stakeholder s (crafters, guesthouses and other) will be engaged for the establishment of this forum for working together

Description	Actions to address
Absence of a person to champion tourism	The employment of dedicated staff to undertake the responsibility
Budgetary constraints for the implementation of Tourism Strategy	The municipality should budget for the implementation of tourism programmes
Vandalism of tourist attractions	Attempt to implement strategies to decrease vandalism
Inadequate tourism infrastructure	Restore all buildings that have tourism value
Resignation of the Tourism Officer	The responsibilities of this post be shifted to the Communications Officer and appointment of a new Tourism Officer

Table 105: **Challenges: Tourism**

iv) **Tourism Strategy**

This strategy is developed under the auspices of key policy documents including: Emthanjeni Tourism Policy, Pixley ka Seme District Municipality and the Northern Cape Growth and Development Strategy. This is in recognition of the immense contribution of tourism to the growth of the Province in general and in particular to local economy.

The development of this Tourism Strategy was further informed by stakeholders' inputs through various mechanisms including workshops that were held in all three constituent towns namely: De Aar, Hanover and Britstown.

Further we have emerged with key prioritized tourism sub-sectors as pointed out in tourism literature that has guided the development of this tourism strategy.

The key sub-sectors can be categorized as follows:

-  **Leisure** – Holiday making and site seeing
-  **MICE** – Meetings, Incentives, Conferencing and Events
-  **General Business** – Sales, meetings and training
-  **Retail** - Purchasing of goods and services for taking back home

To achieve the preceding, a ten year horizon tourism strategy is proposed for implementation in three phases.

-  Phase 1 will look into addressing the weakness mentioned thus transform the Municipality into a leisure tourism destination
-  Phase 2 will gravitate into MICE tourism
-  Phase 3 will concentrate on developing Emthanjeni into general business tourist destination

Emthanjeni Municipality is urged to consider paying specific attention to the critical success factors fundamental to the success of this strategy including:

-  The unequivocal support of Council
-  Improved planning and budgeting for tourism development
-  Stakeholder involvement
-  Acquisition of adequate and competent human resources to drive tourism development

Objective

The objective of the Emthanjeni Tourism Strategy is to transform the Emthanjeni Municipal area into a prime tourist destination for local economic advantage.

To achieve the stated objective the following deliverables should be prioritized:

-  To market Emthanjeni as a tourism destination
-  To speed up the restoration of existing attractions and the development of new attractions
-  Determine key tourism projects
-  Create opportunities for SMME development and employment through tourism development
-  To promote pride in the cultural heritage of the communities in the municipality
-  To encourage community participation in tourism planning and development
-  To prioritize the development of tourism infrastructure in the constituent towns

v) Accommodation Established

The hospitality sector is growing massively within the municipality, the following reasons make it more easily to establish and Accommodation Association that will be managed and operated by stakeholders, the municipal officials will be part of the association to advice and coordinate.

-  To communicate with government and the tourism industry at large
-  To actively get involved in matters that affect the smaller accommodation industry and communicate on such matters with the members
-  To ensure a sustained increase in membership
-  To have a strong presence in all 9 provinces
-  To develop strategies for Social Responsibility, Service Excellence, "Greening", SMME Development (skills development, entrepreneurship creation and employment opportunities)

An assessment has been conducted of 21 guest houses and approval has been granted to operate as a guest house.

The grading has increased the requirements of accommodation establishments when assessed. The old system had 43 focus areas with a total score of 460 and the new system has 63 focus areas with a total score of 1000 points. As part of the new system establishments must have one room that is accessible to people with disabilities that is a Universal Accessibility (UA) grading system.

f) Employees: LED

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0-3	0	0	0	0

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
4 – 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	5	3	2	40
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	6	4	2	33

Table 106: *Employees: Local Economic Development*

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 Libraries

a) Introduction to Libraries

The municipality has 5 libraries operational in the area. Library service is and Provincial Government function and is delivered as agency service on behalf of government. The communities welcome the service rendered by library staff in all three towns. New books are introduced on regular basis. The libraries are now also offering free internet service to communities. Library membership is increasing steadily.

b) Highlights: Libraries

The table below specifies the highlights for the year:

Highlight	Description
Phandulwazi Library palisade fence	Palisade fence measuring 31.8 meters in length and measuring 1.6 meters high were erected
New vehicle	Purchasing of a new bakkie 4x2 double cab for libraries (supply chain management processes are yet to be finalised, commitment was made on our vote from 2015/2016 financial year budget)

Table 107: *Libraries Highlights*

c) Challenges: Libraries

The table below specifies the challenges for the year:

Description	Actions to address
There were no library programs that took place in the 2015/2016 financial year	Proper co-ordination of these programs by the director and library staff

Description	Actions to address
Library infrastructure (especially the buildings) that need serious attention	The municipality need to budget for this activity as the grant that we receive from the provincial department of sports, arts and culture is not enough to address this problem
Employment of skilled library assistants and librarians	Proper recruitment process that will seek to employ people with the right skills and qualifications

Table 108: *Libraries Challenges*

d) Service statistics for Libraries

The table below specifies the service delivery levels for the year:

Type of service	2014/15	2015/16
Number of libraries	5	5
Library members	6 020	5788
Books circulated	75 427	71 117
Exhibitions held	58	34
Internet users	817	918
New library service points or Wheelie Wagons	0	0
Children programmes	37	0
Visits by school groups	198	201
Book group meetings for adults	5	2

Table 109: *Service Statistics for Libraries*

e) Employees: Library Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	6	6	0	0
4 - 6	5	4	1	20
7 - 9	4	4	0	0
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	16	15	0	6

Table 110: *Employees: Libraries*

f) Capital: Libraries

There were no capital projects for the 2015/16 financial year.

3.6.2 Cemeteries

a) Highlights: Cemeteries

The table below specifies the highlights for the year:

Highlights	Description
Maintenance at cemeteries	Continued cleaning, restoration
Updating of burial register	Burial register maintained monthly

Table 111: *Cemeteries Highlights*

b) Challenges: Cemeteries

The table below specifies the challenges for the year:

Description	Actions to address
Vandalism of cemeteries	Protection of gravesites and awareness
Lack of ablution facility	Investigate making services available to the people
Lack of burial space	Planning the extension of cemeteries or acquire additional land to develop new cemeteries

Table 112: *Cemeteries Challenges*

c) Service Statistics for Cemeteries

The table below specifies the service delivery levels for the year:

Type of service	2014/15	2015/16
Burials	236	383

Table 113: *Service Statistics for Cemeteries*

3.7 COMPONENT E: SECURITY AND SAFETY

This component includes: traffic; law enforcement; fire and disaster management

Introduction to Security & Safety

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.

3.7.1 Traffic Services

a) Introduction to Traffic Services

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 safer roads. Speed measurements are important due to the fact that 90% of all accidents are caused by speeding. Another serious offence is driving under the influence of alcohol and it is estimated that 60% of all serious accidents can be contributed to drunk driving. The fact that the breath alcohol testing is not accepted evidence in South African courts makes it more difficult to prosecute offenders. Scholar patrols are established to assist learners to cross roads safely, while regular traffic patrols and vehicle check points in residential areas reduce the risk of traffic accidents and traffic violations. Regular foot patrols in the CBD of De Aar is there to make sure that motorist do not park their vehicles illegally and also help with the fight against crime in this area.

b) Highlights: Traffic Services

The table below specifies the highlights for the year:

Highlights	Description
Training officers for K53 examiner of driving licenses	Two officers were trained this year for examiner of driver licenses
Traffic warden training	Five law enforcement officers were trained as traffic wardens that enabled them to extend their operational functions
Combined operation between Provincial Traffic and National Traffic Police	It was the first time that an combined operation of this nature took place in our area and was held over the last weekend of April 2016

Table 114: *Traffic Services Highlights*

c) Challenges: Traffic Services

The table below specifies the challenges for the year:

Description	Actions to address
Vehicle fleet old and shortage patrol vehicles	Replacement plan be set in place to overcome this challenge
Skill shortage in department relating to training as examiner for drivers and examiner for vehicles	Skills development plan for officers need to be developed and implemented

Table 115: *Traffic Services Challenges*

d) Service Statistics for Traffic Services

The table below specifies the service delivery levels for the year:

Details	2014/15	2015/16
Number of road traffic accidents during the year	359	381
Number of by-law infringements attended	400	149
Number of Traffic officers in the field on an average day	6	4
Number of Traffic officers on duty on an average day	10	10

Details	2014/15	2015/16
Animals impounded	0	0
Motor vehicle licenses processed	20 516	38 695
Learner driver licenses processed	5 121	3 448
R-value of fines collected	3 652 135	3 726 115
Roadblocks held	24	26
Complaints attended to by Traffic Officers	299	127

Table 116: Service Statistics for Traffic Services

c) Employees: Traffic Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0
4 - 6	2	2	0	0
7 - 9	10	8	2	20
10 - 12	3	3	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	20	19	2	10

Table 117: Employees: Traffic Services

d) Employees: Law Enforcement

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	5	5	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
19 - 20	0	0	0	0
Total	5	5	0	0

Table 118: *Employees: Law Enforcement*

e) Capital: Traffic Services

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Building improvements	31	31	0	(31)	0
Purchase of equipment	57	57	20	(37)	20

Table 119: *Capital Expenditure 2015/16: Traffic Services*

3.7.2 Fire Services and Disaster Management

a) Introduction to Fire Services and Disaster Management

The fire service is a voluntary service of the municipality with only one firefighting apparatus to its disposal for the whole of the municipality. The volunteers are dedicated persons and are always willing to go where they are needed. The service is available 24 hours of the day 7 days a week and operates on a standby schedule and call outs to fire scenes are coordinated from the district municipality's emergency call Centre on the 10177 phone number. The service is primary responsible for extinguishing of house, veld and other fires but also gives support if needed by other emergency services if needed. The service will also assist other local authorities if needed and in the past helped fight fires in these authorities.

b) Highlights: Fire Services and Disaster Management

The table below specifies the highlights for the year:

Highlights	Description
Assistance from South African National Defense Force (SANDF) fire services	The department can rely on assistance from the SANDF for fire services when needed and if they can assist

Table 120: *Fire Services and Disaster Management Highlights*

c) Challenges: Fire Services and Disaster Management Services

The table below specifies the challenges for the year:

Description	Actions to address
Lack of firefighting equipment and fire apparatus	Source funding for more equipment and replacement plan to be developed and implemented
Volunteers lack training	Skills plan to be developed for effective training
Assistance from SANDF	MOU must be set in place with SANDF

Table 121: Fire Services and Disaster Management Challenges

d) Service Statistics for Fire Services and Disaster Management

The table below specifies the service delivery levels for the year:

Details	2014/15	2015/16
Total fires attended in the year	17	21
Total of other incidents attended in the year	6	1
Average turnout time - urban areas	15 min	15 min
Average turnout time - rural areas	±30 min	±30 min
Total Operational call-outs	0	0
Reservists and volunteers trained	20	20
Awareness Initiatives on Fire Safety	0	0

Table 122: Service Statistics for Fire Services

e) Capital: Fire Services and Disaster Management

There were no capital projects for the 2015/16 financial year.

3.8 COMPONENT F: SPORT AND RECREATION

3.8.1 Sport and Recreation

a) Highlights: Sport and Recreation

The table below specifies the highlights for the year:

Highlights	Description
Merino sport grounds	Grass has been planted at the Merino sport ground
Upgrading of Merino sport grounds	Upgrading was done regarding the building, fencing and security

Table 123: Sport and Recreation Highlights

b) Challenges: Sport and Recreation

The table below specifies the challenges for the year:

Description	Actions to address
Further upgrading of Merino sport grounds is required	Further upgrading is planned for the new financial year
Upgrading of the new tartar athletics track at De Aar west sport ground. The tenders received was way more than the budgeted amount	Additional funding must be sourced by Department of Cultural Affairs and Sport (DCAS)

Table 124: Sport and Recreation Challenges

c) Service Statistics for Sport and Recreation

The table below specifies the service delivery levels for the year:

Type of service	2014/2015	2015/2016
Community parks		
Number of parks with play park equipment	4	4
Number of wards with community parks	6	6
Swimming pools		
R-value collected from entrance fees	88 993	153 154
Sport fields		
Number of wards with sport fields	6	6
R-value collected from utilization of sport fields	13 643	21 648
Sport halls		
Number of wards with sport halls	1	1
Number of sport associations utilizing sport halls	1	1
R-value collected from rental of sport halls	8 611	0

Table 125: Service Statistics for Sport and Recreation

d) Employees: Parks and Cemeteries

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	40	33	7	18
4 - 6	0	0	0	0
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	41	34	7	17

Table 126: *Employees: Parks and Cemeteries*

e) Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Job Level	2014/15			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	13	10	3	23
4 - 6	0	0	0	0
7 - 9	1	1	0	0
10 - 12	12	9	3	25
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	26	20	6	23

Table 127: *Employees: Sport and Recreation*

f) Capital: Sport and Recreation

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Purchase of equipment	239	239	140	(99)	140
Parks: Purchase of equipment	22	22	0	(22)	0

Table 128: *Capital Expenditure 2015/16: Sport and Recreation*

3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: executive and council; financial services; human resource services; ICT services; legal services; and procurement services.

3.9.1 Executive and Council

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

a) Highlights: Executive and Council

The table below specifies the highlights for the year:

Highlights	Description
Tarring of gravel roads	Almost eight gravel roads has been tarred in De Aar and Britstown
Growth on Mayoral Sport Tournament	The 2015 Mayoral Sport Tournament has included four new sporting codes
Jobs creation projects by Transnet	Transnet developments has resulted to over 50 permanent jobs and around 30 casual jobs
Second phase of solar energy by Solar Capital	Solar Capital met with communities to announce the start of phase two which will result to 500 jobs
Eradication of dry sanitation and bucket system	Money has been received to start with the process of eradicating dry sanitation and bucket system in Britstown
Upgrade of electricity infrastructure	Electricity network at Nonzwakazi and De Aar East will be upgraded in order to avoid the constant electricity cut whenever weather conditions are bad
Increase in wards and councillors	The MEC has increase the number of wards and councillors at the municipality

Table 129: Executive and Council Highlights

b) Challenges: Executive and Council

The table below specifies the challenges for the year:

Description	Actions to address
Housing development and serviced sites	Council is constantly engaging with the provincial government for possible solution on this regard
Slow progress on LED	The LED unit will be assisted by consultants in order to fast-track LED municipal initiatives
Non participation of NGO's and government department during budget consulting processes	Council will utilize local radio station to reach more stakeholders during budget consultation process
An increase of shops by foreign nationalities in indigent households	Community development directorate is currently attending on this issue
Bypass of electricity which is costly for the municipality	The electricity meter box will be replaced by a safer type of box

Table 130: Executive and Council Challenges

c) Employees Corporate Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	13	13	0	0
4 - 6	10	10	0	0
7 - 9	4	2	2	50
10 - 12	6	6	0	0
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	35	33	2	6

Table 131: Employees: Corporate Services

d) Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	1	1	0	0
10 - 12	1	0	1	100
13 - 15	1	0	1 (frozen)	100
16 - 18	0	0	0	0
19 - 20	0	0	0	0
21 - 25	5	5	0	0
Total	8	6	2	13

Table 132: Employees: Office of the Municipal Manager

e) Employees: Technical Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	10	8	2	20
7 - 9	2	2	0	0
10 - 12	3	3	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	16	14	2	13

Table 133: Employees: Technical Services

f) Capital: Executive and Council

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Purchase of equipment	143	73	28	(115)	28
Municipal Manager office equipment	16	16	0	(16)	0

Table 134: Capital Expenditure 2015/16: Executive and Council

3.9.2 Financial Services

a) Introduction: Financial Services

The Finance Directorate provide or renders a various number of services to the communities of Emthanjeni Municipality, Council and the staff. These services are revenue collection, expenditure management, budget and treasury reporting, supply chain management, amongst others.

Financial viability and financial discipline are the pillars under which these services are rendered. The payment of services by consumers are the backbone of any municipality which underpins the financial ability of a municipality to honour her commitments. The mission is to ensure that the payment percentage and culture of the municipality rises above the 95 % for all the main services throughout the financial year.

It is customary to pay all creditors well within 30 days after receipt of valid tax invoices, and we will continue with this practice in the future.

b) Highlights: Financial Services

The table below specifies the highlights for the year:

Highlights	Description
The municipality's ability to render services without any delays and also to honour its financial commitments timeously	The continued support from all stakeholders within the Emthanjeni community that ensure the municipality is able to render continued services cannot be under estimated
The total spending of capital conditional grants during the financial year under review	Due to proper planning of projects and the awarding of tenders for service providers timeously
Continuously striving to achieve a financially unqualified audit opinion by the municipality	The dedication and exceptional hard work of finance staff in ensuring that the municipality achieve a financially unqualified audit opinion. This will lead to clean audit report for the municipality

Table 135: *Financial Services Highlights*

c) Challenges: Financial Services

The table below specifies the challenges for the year:

Description	Actions to address
Increase in outstanding debtors remains the biggest challenge faced by the municipality	The municipality will intensify the debt collection and disconnection of municipal services
The compliance of the supply chain management's regulations as a whole due to our geographical area	The municipality will engage Provincial Treasury on mechanisms in ensuring full compliance of the SCM Regulations
Capacity challenges facing the finance directorate in the budgetary reforms, GRAP Standards and the implementation of mSCOA	Training programmes will be developed to ensure that finance staff becomes capacitated in all areas

Table 136: *Financial Services Challenges*

d) Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0
4 - 6	25	23	2	8
7 - 9	6	5	1	17
10 - 12	5	4	1	20
13 - 15	0	0	0	0

Job Level	2015/16			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	41	37	4	10

Table 137: *Employees: Financial Services*

e) Capital: Financial and Administrative Services

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Purchase of machinery	23	23	12	(11)	12
Office equipment	570	510	42	(528)	42
Upgrading of buildings	420	220	10	(410)	10
OPCAR GRAP compliance	884	884	884	0	884

Table 138: *Capital Expenditure 2015/16: Financial and Administrative Services*

3.9.3 Human Resource Services

a) Introduction to Human Resource Services

The Emthanjeni Municipality currently employs 351 (including non-permanent positions) officials, who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and administrative functions.

b) Highlights: Human Resources

The table below specifies the highlights for the year:

Highlights	Description
Workplace Skills Plan was submitted on time to LGSETA	Submission was done electronically and receipt was confirmed
The EEP was submitted on time to the Department of Labour on 31 October 2015	Submission was done electronically and receipt was confirmed
The appointment of the Labour Relations Intern that handles all the disciplinary matters	The Labour Relation Intern was appointed on 1 March 2016 for a period of six (6) months to handle all the disciplinary matters

Table 139: *Human Resources Highlights*

c) Challenges: Human Resources

The table below specifies the challenges for the year:

Description	Actions to address
The Local Labour Forum is still not functional as it is expected to be	Training for all members of the LLF to clarify the importance of having a functional LLF at the level of the municipality
Proposed training as set out in the WSP is not rolled out due to the lack of service providers in the Northern Cape	LGSETA and other SETA's must find a solution to the problem. They must try to attract suitable service providers so that training programmes should commence timeously

Table 140: Human Resources Challenges

3.9.4 Procurement Services

a) Highlights: Procurement Services

The table below specifies the highlights for the year:

Highlights	Description
Proper functioning of Bid Committees	Bid Committee members and SCM staff work tirelessly to improve and streamline SCM processes and procedures to ensure compliance
Continuous invitation to existing and prospective service providers	SCM Unit in collaboration with Provincial Treasury, regularly invited service providers to register on the supplier database and Central Supplier Database (CSD) to ensure that procurement is done equitably in the municipality
Sustainable rendering of municipal services	Good and services were procured throughout the financial year to ensure sustainable service delivery. SCM processes contributed positively to the upliftment of communities
Improved in audit opinion	SCM unit dedicated efforts contributed to the improved audit opinion that the municipality obtained in 2015

Table 141: Procurement Services Highlights

b) Challenges: Procurement Services

The table below specifies the challenges for the year:

Description	Actions to address
Lack and slow participation of local business in SCM	Local businesses are not actively involve within the procurement of good and services in the municipality due to the non-adherence to SCM laws and regulations
Compliance with laws and regulations	Irregular expenditure will always be incurred due to the non-compliance of regulations on local content, the obtaining of sufficient number of quotations, etc. This relates to the geographical location of the municipality
Adherence of CSD will lead to inflated prices and lack of service delivery	Non registration of national brand companies will lead to prices for goods and services being inflated. It would also impact negatively to small and rural municipal economies as outside service providers will benefit more

Description	Actions to address
Implementation of mSCOA	The implementation and compliance of mSCOA will impact negatively on the procurement for goods and services to the municipality, as a new financial management system will be financially exorbitant and extremely expensive

Table 142: Procurement Services Challenges

c) Service Statistics for Procurement Services

The table below specifies the service delivery levels for the year:

Description	Total No	Monthly Average	Daily Average
Requests processed	1 091	90.92	2.99
Orders processed	1 091	90.92	2.99
Requests cancelled or referred back	0	0	0
Extensions	0	0	0
Bids received (number of documents)	76	6.3	0.21
Bids awarded	8	0.67	0.02
Bids awarded ≤ R200 000	20	1.67	0.05
Appeals registered	1	1	0
Successful Appeals	0	0	0

Table 143: Service Statistics for Procurement Division

d) Details of Deviations for Procurement Services

Type of deviation	Number of deviations	%	Value of deviations	Percentage of total deviations value
Clause 36(1)(a)(i)- Emergency	0	0	0	0
Clause 36(1)(a)(ii)- Sole Supplier	0	0	0	0
Clause 36(1)(a)(iii)- Unique arts	0	0	0	0
Clause 36(1)(a)(v)- Impractical / impossible	229	100	R4 059 492	100
Total	229	100	R4 059 492	100

Table 144: Statistics of Deviations from the SCM Policy

3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2016/17

The main development and service delivery priorities for 2016/17 forms part of the municipality's top layer SDBIP for 2016/17 and are indicated in the table below:

3.10.1 Development and Service Delivery Priorities for 2016/17

a) *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	Ward	Annual Target
TL35	Review the Disaster Management Plan and submit to the district municipality by 30 June 2017	Disaster Management Plan submitted to the District Municipality	All	1
TL38	Review the Community Safety Plan and submit to Council by 30 June 2017	Community Safety Plan submitted to Council	All	1

Table 145: *Service Delivery Priorities- Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties*

b) *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	Ward	Annual Target
TL5	Provide free basic services to indigent households as at 30 June 2017	Number of indigent households receiving free basic services as at 30 June 2017	All	2,500

Table 146: *Services Delivery Priorities - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor*

c) *Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives*

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL8	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2017	Number of people employed (newly appointed)	All	0
TL9	0.7% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2017 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training	All	0.70%
TL29	Purchase one LDV vehicle for Infrastructure by 30 June 2017 [BSD47]	One LDV vehicle purchased	All	1
TL31	90% of approved budget spent for the addition of municipal buildings by 30 June 2017 [BSD34]	% of approved project budget spent	All	90%

Ref	KPI	Unit of Measurement	Ward	Annual Target
	{{(Actual expenditure divided by the total approved project budget) x 100}}			
TL33	Review the organigram and submit to Council by 30 June 2017	Revised organogram submitted to Council	All	1
TL34	Review, workshop and submit the delegation of powers to Council by 30 June 2017	Delegation of powers submitted to Council	All	1

Table 147: *Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives*

d) Maintaining a financially sustainable and viable municipality

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL10	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2017 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage	All	7.50%
TL11	Financial viability measured in terms of the outstanding service debtors as at 30 June 2017 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors	All	35%
TL12	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2017 (Available cash+ investments)/ Monthly fixed operating expenditure)	Number of months it takes to cover fix operating expenditure with available cash	All	0.9
TL43	Submit the annual financial statements to the Auditor-General by 31 August 2016	Statements submitted to the AG by 31 August 2016	All	1
TL44	Achievement of a payment percentage of above 80% quarterly ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	Payment % achieved	All	80%
TL45	Prepare and submit the adjustments budget to Council by the 28 February 2017	Adjustments budget submitted by 28 February 2017	All	1
TL46	Prepare and submit the draft budget to Council by 31 March 2017	Draft budget submitted by 31 March 2017	All	1
TL47	Prepare and submit the final budget to Council by 31 May 2017	Final budget submitted by 31 May 2017	All	1

Table 148: *Maintaining a financially sustainable and viable municipality*

e) *Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality*

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL42	Develop Risk based audit plan (RBAP) for 2017/18 and submit to the audit committee for approval by 30 June 2017	RBAP for 2017/18 submitted	All	1

Table 149: *Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality*

f) *Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area*

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL7	Create temporary jobs - FTE's in terms of EPWP by 30 June 2017 (Person days / FTE (230 days))	Number of FTE's created	All	47
TL32	Revise the LED Strategy and submit to Council by 31 May 2017	Revised strategy submitted to Council	All	1

Table 150: *Service Delivery Priorities - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area*

g) *Provision of access to all basic services rendered to residents within the available resources*

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2017	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2017	All	8,000
TL2	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2017	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2017	All	8,000
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2017	Number of residential properties which are billed for sewerage as at 30 June 2017	All	8,000
TL4	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2017	Number of residential properties which are billed for refuse removal as at 30 June 2017	All	8,000
TL6	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2017 $\{(\text{Actual amount spent on projects} / \text{Total amount budgeted for capital projects}) \times 100\}$	% of capital budget spent by 30 June 2017	All	80%
TL13	90% of the water maintenance budget spent by 30 June 2017 $\{(\text{Actual expenditure divided by the approved budget}) \times 100\}$	% of approved water maintenance budget spent	All	90%

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL14	Limit % water unaccounted for quarterly to 19.5% [(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) × 100]	% water unaccounted for	All	19.50%
TL15	Achieve a 95% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	95%
TL16	90% of the waste water maintenance budget spent by 30 June 2017 ((Actual expenditure divided by the approved budget)×100)	% of approved waste water maintenance budget spent	All	90%
TL17	Construct 0.5 km new surfaced roads in De-Aar East by 30 June 2017 [BSD77]	Kilometers of new surfaced roads constructed	1; 2	0.5
TL18	90% of the roads and stormwater maintenance budget spent by 30 June 2017 ((Actual expenditure divided by the approved budget)×100)	% of approved roads and stormwater maintenance budget spent	All	90%
TL19	Reseal 1km existing tar roads by 30 June 2017 [BSD30]	Kilometers of existing tar roads resealed	All	1
TL20	Limit % electricity unaccounted for to 18% by 30 June 2017 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) × 100]	% of electricity unaccounted for	All	18%
TL21	90% of the recreational and swimming pool maintenance budget spent by 30 June 2017 ((Actual expenditure divided by the approved budget)×100)	% of approved recreational areas and swimming pool maintenance budget spent	All	90%
TL22	90% of the electricity maintenance budget spent by 30 June 2017 ((Actual expenditure divided by the approved budget)×100)	% of approved electricity maintenance budget spent	All	90%
TL23	90% of approved budget spent for the upgrade of the electricity network in Nonzwakazi & portion of De Aar East by 30 June 2017 [BSD51] {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent	3; 5	90%
TL24	Replace 400 prepaid electricity meters by 30 June 2017 [BSD81]	Number of meters replaced	All	400
TL25	90% of approved budget spent for the upgrade of the stormwater drainage by 30 June 2017 [BSD62] {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent	3; 5	90%
TL26	90% of approved budget spent for the upgrade of the De Aar Waste Water Works by 30 June 2017 [BSD26] {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent	7	90%
TL27	90% of approved budget spent for the ward development programme by 30 June 2017 [BSD73] {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent	All	90%

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL28	90% of approved budget spent for the replacement of equipment and machinery by 30 June 2017 [FVFM8] {(Actual expenditure divided by the total approved project budget) x 100}	% of approved project budget spent	All	90%
TL30	Install 5 high mast and 80 street lights to improve lighting in dark areas by 30 June 2017 [BSD58]	Number of lights installed	All	85
TL36	Review the Integrated Waste Management Plan and submit to Council by 30 June 2017	Integrated Waste Management Plan submitted to Council	All	1
TL37	Review the Human Settlement Plan and submit to Council by 30 June 2017	Human Settlement Plan reviewed and submitted to Council	All	1
TL39	90% of the maintenance budget of waste management spent by 30 June 2017 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	90%
TL40	Erect 4 dumping signs to prevent illegal dumping by 31 March 2017	Number of signs erected	All	4
TL41	Submit the application for funding of housing projects to the Provincial Department of Housing by 30 September 2016	Housing application submitted	All	1

Table 151: *Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources*

CHAPTER 4

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 Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2014/15	2015/16
The percentage of a municipality’s budget actually spent on implementing its workplace skills plan	0.7	0.16

Table 152: National KPIs– Municipal Transformation and Organisational Development

4.2 Introduction to the Municipal Workforce

The Mmunicipality currently employs 331 (excluding non-permanent positions) and 351 (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.

4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national 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”.

a) Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June						
50%	41.4%	35%	55.9%	5%	0%	10%	2.7%

Table 153: 2015/16 EE Targets/Actual by Racial Classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
60%	68%	8%	35%	31%	(4%)	5%	1%	(4%)

Table 154: 2015/16 EE Targets/Actual by Gender Classification

b) Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	9 949	24 135	25	4 122	38 230
% Population	26.02	63.13	0.07	10.78	100
Number for positions filled	158	182	0	11	351
% for Positions filled	45.01	51.9	0	3	100

Table 155: EE Population 2015/16 (including non-permanent officials)

c) Specific Occupational Categories - Race

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	4	0	0	1	0	0	0	5
Senior management	7	2	0	2	0	0	0	0	11
Professionally qualified and experienced specialists and mid- management	6	2	0	1	6	5	0	0	20
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	16	22	0	4	3	12	0	0	57
Semi-skilled and discretionary decision making	15	38	0	0	0	17	0	0	70
Unskilled and defined decision making	58	77	0	0	20	15	0	0	170
Total permanent	102	145	0	7	30	49	0	0	333
Non- permanent employees	8	4	0	0	2	3	0	1	18
Total	110	149	0	7	32	52	0	1	351

Table 156: Occupational Categories

4.2.2 Vacancy Rate

The approved organogram for the municipality had 351 posts for the 2015/16 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 34 Posts were vacant at the end of 2015/16, resulting in a vacancy rate of 9.7%.

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

Post level	Per Post Level	
	Filled	Vacant
MM & MSA section 57 & 56	5	0
Middle management (T14-T19)	11	0
Officers (T4-T13)	174	22
General Workers (T3)	161	12
Total	351	34

Per Functional Level		
Functional area	Filled	Vacant
Office of the Municipal Manager	2	1
Corporate Services	44	1
Financial Services	45	2
Infrastructure Services	101	13
Community Services	159	5
Total	351	22

Table 157: *Vacancy Rate per Post and Functional Level*

4.2.3 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 slight increase from 3% in 2014/15 to 3.13% in 2015/16.

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

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2014/15	367	27	11	3%
2015/16	351	19	11	3%

Table 158: *Turnover Rate*

4.3 Managing the Municipal Workforce

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 Injuries

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

The injury rate increased with 4 employees injured in the 2015/16 financial year to only 1 employee injured in the 2014/15 financial year.

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

Directorates	2014/15	2015/16
Office of the Municipal Manager	0	0
Corporate Services	0	0
Financial Services	0	1
Infrastructure Services	1	1

Directorates	2014/15	2015/16
Community Services	0	3
Total	1	5

Table 159: *Injuries*

4.3.2 Sick Leave

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

The total number of employees that have taken sick leave during the 2015/16 financial year shows a increase when comparing it with the 2014/15 financial year.

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

Department	2014/15	2015/16
Office of the Municipal Manager	5	60
Corporate Services	167	362
Financial Services	28	214
Infrastructure Services	1 174	613
Community Services	664	824
Total	2 038	2 073

Table 160: *Sick Leave*

4.3.3 HR Policies and Plans

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

The 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
Bursary policy (Study Aid Policy)	25 June 2015
Cell Phone	21 January 2012
Employment Policy	31 August 2007
Essential users scheme policy	31 November 2012
HIV/AIDS	11 November 2014
Incapacity / Ill-Health	24 May 2004
Induction Training and Staff Orientation	14 March 2011
Internal control: Salaries and grants	6 January 2006
Language	9 August 2008
Recruitment and Selection (In process of being reviewed)	31 August 2007
Scarce Skills	31 November 2012

Approved policies	
Sexual harassment	31 August 2007
Skill Retention Policy (In process of being reviewed)	31 November 2012
Smoking Policy	31 December 2012
Study	25 September 2012
Subsistence and Travelling	31 May 2016
Substance Abuse	11 November 2014
Uniform Protective Clothing	27 September 2007
Overtime Policy (Revised and approved)	21 April 2016
Skills Development Policy	21 April 2016
Study Assistance Policy	21 April 2016

Table 161: HR Policies and Plans

4.4 Capacitating the Municipal Workforce

Section 68(1) of the MSA states that 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).

4.4.1 Skills Matrix

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

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2015/16)
MM and S57	Female	1	0
	Male	4	1
Legislators, senior officials and managers	Female	4	3
	Male	10	5
Associate professionals and Technicians	Female	1	0
	Male	8	0
Professionals	Female	1	0
	Male	4	0
Clerks	Female	15	6
	Male	8	7
Service and sales workers	Female	2	0
	Male	5	0
Craft and related trade workers	Female	0	0
	Male	0	0
	Female	0	0

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2015/16)
Plant and machine operators and assemblers	Male	7	0
Elementary occupations	Female	0	0
	Male	6	0
Sub total	Female	24	9
	Male	52	13
Total		76	76

Table 162: Skills Matrix

4.4.2 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	Skills programmes & other short courses
		Total
		Actual
MM and S57	Female	0
	Male	1
Legislators, senior officials and managers	Female	3
	Male	5
Professionals	Female	0
	Male	0
Technicians and associate professionals	Female	0
	Male	0
Clerks	Female	6
	Male	7
Service and sales workers	Female	0
	Male	0
Craft and related trade workers	Female	0
	Male	0
Plant and machine operators and assemblers	Female	0
	Male	0
Elementary occupations	Female	0
	Male	0
Sub total	Female	9
	Male	13

Occupational categories	Gender	Skills programmes & other short courses
		Total
		Actual
Total		22

Table 163: Skills Development

4.4.3 Skills Development - Budget allocation

The table below indicates that a total amount of R341 377 were allocated to the workplace skills plan and of that 55.6% of the total amount was spent in the 2015/16 financial year:

Year	Total Allocated (R)	Total Spend (R)	% Spent
2014/15	546 000	660 000	120
2015/16	614 050	341 377	55.6

Table 164: Budget allocated and spent for skills development

4.4.4 MFMA Competencies

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

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

6 Employees were identified to obtain the abovementioned qualification and prescribed competencies.

From the above mentioned it is clear that most of our staff will comply with the requirements of the Government Notice 493 of June 2007.

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

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Senior managers	3	3	3	3
Any other financial officials	10	0	0	10
Supply Chain Management Officials				
Heads of supply chain management units	1	0	0	0
Supply chain management senior managers	0	0	0	0
Total	16	5	5	15

Table 165: Budget Allocated and Spent for Skills Development

4.5 Managing the Municipal Workforce Expenditure

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

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is 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	
2014/15	61 975	162 868	38
2015/16	66 804	215 864	31.95

Table 166: Personnel Expenditure

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

Financial year	2014/15		2015/16	
	Actual	Original Budget	Adjusted Budget	Actual
Description	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	2 962	3 170	3 170	2 892
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	985	1 051	1 051	977

Financial year	2014/15	2015/16		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'ooo			
Cell phone allowance	314	313	313	316
Housing allowance	0	0	0	0
Other benefits or allowances	0	47	47	0
In-kind benefits	0	0	0	0
Sub Total	4 261	4 580	4 580	4 184
% increase/ decrease	-1.09	7.49	0.00	-8.65
Senior Managers of the Municipality				
Salary	3 369	3 442	3 442	3 562
Pension Contributions	560	608	608	593
Medical Aid Contributions	159	110	110	55
Motor vehicle allowance	847	814	814	724
Cell phone allowance	151	155	155	164
Housing allowance	0	0	0	0
Performance Bonus	0	0	0	447
Other benefits or allowances	217	240	240	279
In-kind benefits	0	0	0	0
Sub Total	5 303	5 370	5 370	5 823
% increase/ decrease	0.00	1.26	0.00	8.44
Other Municipal Staff				
Basic Salaries and Wages	43 450	46 748	46 748	45 667
Pension Contributions	7 592	8 057	8 057	7 365
Medical Aid Contributions	1 505	1 614	1 614	1 488
Motor vehicle allowance	892	1 050	1 050	973
Cell phone allowance	168	207	207	191
Housing allowance	702	733	733	703
Overtime	2 070	2 006	2 006	3 057
Other benefits or allowances	1 230	1 019	1 019	1 90
Sub Total	57 662	61 434	61 434	59 635
% increase/ decrease	-0.03	6.54	0.00	-2.93
Total	67 226	71 384	71 384	69 642
% increase/ decrease	-0.09	6.19	0.00	-2.44

Table 167: Personnel Expenditure

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2015/16 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.1 Financial Summary

The table below indicates the summary of the financial performance for the 2015/16 financial year:

The table below shows a summary of performance against budgets:

Financial Summary						
R'000						
Description	2014/15	2015/16			2015/16 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	22,075	27,503	27,503	26,102	-5.36	-5.36
Service charges	97,741	108,111	103,111	97,556	-10.82	-5.69
Investment revenue	950	715	715	1,163	38.49	38.49
Transfers recognised - operational	39,770	40,601	40,601	40,601	0.00	0.00
Other own revenue	35,803	34,116	35,568	29,577	-15.35	-20.25
Total Revenue (excluding capital transfers and contributions)	196,340	211,046	207,497	194,999	-8.23	-6.41
Employee costs	66,864	66,804	66,804	68,225	2.08	2.08
Remuneration of councilors	4,126	4,580	4,580	4,367	-4.88	-4.88
Depreciation & asset impairment	93,075	9,248	9,248	0	0.00	0.00
Finance charges	1,337	2,556	3,556	639	-299.99	-456.49
Materials and bulk purchases	58,263	69,713	69,713	63,686	-9.46	-9.46
Transfers and grants	225	16,162	11,662	13,840	-16.78	15.73
Other expenditure	30,393	60,591	58,985	27,676	-118.93	-113.13
Total Expenditure	254,284	229,653	224,547	178,432	-28.71	-25.84
Surplus/(Deficit)	(57,944)	(18,608)	(17,049)	16,567	212.32	202.91
Transfers recognised - capital	14,473	56,565	13,398	1,535	-3585.02	-772.83
Contributions recognised - capital & contributed assets	0	0	0	0	0.00	0.00
Surplus/(Deficit) after capital transfers & contributions	(43,471)	37,957	(3,651)	18,102	-109.69	120.17

Financial Summary						
R'000						
Description	2014/15	2015/16			2015/16 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	13,833	55,958	12,791	8,651	-546.83	-47.85
Public contributions & donations	0	0	0	0	0.00	0.00
Borrowing	0	0	0	0	0.00	0.00
Internally generated funds	641	9,886	6,331	780	-1166.87	-711.21
Total sources of capital funds	14,473	65,844	19,121	9,431	-598.13	-102.74
Financial position						
Total current assets	129,110	109,842	99,318	142,125	22.71	30.12
Total non-current assets	887,547	944,097	946,897	881,383	-7.12	-7.43
Total current liabilities	43,909	33,313	33,327	105,103	68.30	68.29
Total non-current liabilities	55,856	67,490	63,471	1,914	-3426.65	-3216.65
Community wealth/Equity	916,891	953,136	949,417	916,491	-4.00	-3.59
Cash flows						
Net cash from (used) operating	14,269	55,260	25,550	28,989	-90.63	11.86
Net cash from (used) investing	(14,173)	(59,374)	(18,967)	(9,134)	-550.03	-107.65
Net cash from (used) financing	(2,777)	1,096	(894)	(2,653)	141.33	66.32
Cash/cash equivalents at the year end	(2,680)	(3,017)	5,690	17,202	117.54	66.93
Cash backing/surplus reconciliation						
Cash and investments available	0	0	0	0	0.00	0.00
Application of cash and investments	0	0	0	0	0.00	0.00
Balance - surplus (shortfall)	0	0	0	0	0.00	0.00
Asset management						
Asset register summary (WDV)	883,952	935,454	935,454	0	0.00	0.00
Depreciation & asset impairment	61,386	9,248	9,248	0	0.00	0.00
Renewal of Existing Assets	362	6,331	6,331	0	0.00	0.00
Repairs and Maintenance	11,215	16,618	16,618	0	0.00	0.00
Free services						
Cost of Free Basic Services provided	0	3	3	0	0.00	0.00
Revenue cost of free services provided	0	0	0	0	0.00	0.00
Households below minimum service level						
Water:	0	0	0	0	0.00	0.00
Sanitation/sewerage:	19	0	0	0	0.00	0.00

Financial Summary						
R'000						
Description	2014/15	2015/16			2015/16 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Energy:	1	1	1	0	0.00	0.00
Refuse:	0	0	0	0	0.00	0.00

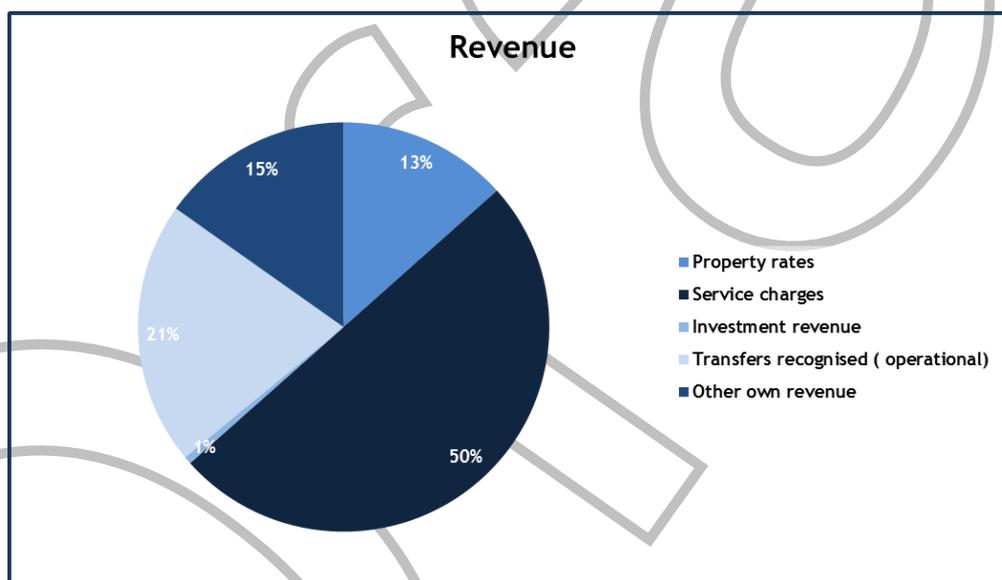
Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 168: Financial Performance 2015/16

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2014/15	229,441	216,805	(12,636)	-6	201,665	265,896	(64,231)	-32
2015/16	268,262	196,534	(71,728)	-27	286,740	187,864	98,876	34

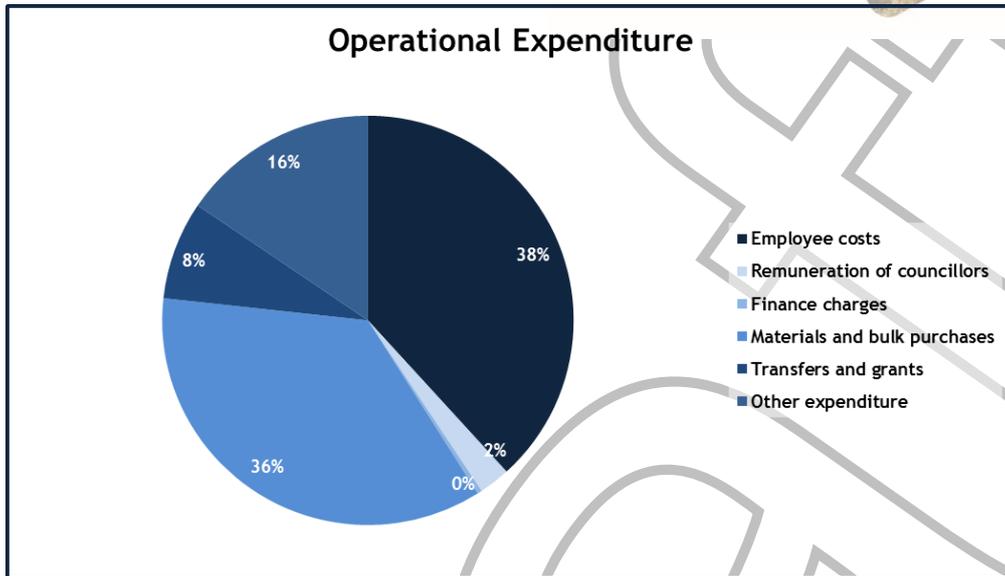
Table 169: Performance Against Budgets

The following graph indicates the various types of revenue items in the municipal budget for 2015/16



Graph 6: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2015/16



Graph 7: Operating Expenditure

5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2014/15	2015/16			2015/16 % Variance	
	Actual(Audited Outcome)	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'ooo				%	
Vote 1 - Executive and Council	4,792	3,335	3,335	4,236	21.26	21.26
Vote 2 - Finance and Administration	37,474	43,012	43,012	42,048	-2.29	-2.29
Vote 3 - Planning and Development	897	3,395	3,395	1,000	-239.49	-239.49
Vote 4 - Health	0	0	0	0	0.00	0.00
Vote 5 - Community and Social Services	1,516	1,844	1,844	1,898	2.83	2.83
Vote 6 - Public Safety	23,180	8,232	8,232	3,815	-115.79	-115.79
Vote 7 - Sport and Recreation	112	114	114	182	37.41	37.41
Vote 8 - Road Transport	10,147	9,715	9,715	25	-3864261.45%	-3864261.45%
Vote 9 - Other	0	0	0	0	0.00	0.00
Vote 10 - Housing Services	678	39	39	65	0.00	4070.10
Vote 11 - Waste Management	43,653	14,526	14,526	14,366	0.00	-111.22
Vote 12 - Waste Water Management	25,982	59,345	26,178	24,199	-12669.60	-818.15
Vote 13 - Electricity	67,030	83,494	79,994	74,731	-437.53	-704.21
Vote 14 - Water	27,325	41,211	30,511	29,969	-3506.98	-180.74
Total Revenue by Vote	78,119	59,933	69,648	53,204	-12.65	-30.91

Table 170: Revenue by Vote

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2015/16 financial year:

Description	2014/15	2015/16			2015/16 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Property rates	21,905	27,503	27,503	26,102	-5.36	-5.36
Property rates - penalties & collection charges	170	0	0	0	0.00	0.00
Service Charges - electricity revenue	59,935	57,935	53,635	47,982	-20.74	-11.78
Service Charges - water revenue	20,888	26,111	25,411	26,245	0.51	3.18
Service Charges - sanitation revenue	10,668	14,888	14,888	15,235	2.28	2.28
Service Charges - refuse revenue	5,822	8,937	8,937	8,804	-1.51	-1.51
Service Charges - other	427	240	240	401	40.30	40.30
Rentals of facilities and equipment	1,189	652	652	799	18.44	18.44
Interest earned - external investments	950	715	715	1,163	38.49	38.49
Interest earned - outstanding debtors	646	873	873	698	-25.03	-25.03
Dividends received	0	0	0	0	0.00	0.00
Fines	23,011	7,581	7,581	3,904	-94.18	-94.18
Licences and permits	1,257	2,099	2,099	310	-577.97	-577.97
Agency services	0	0	0	0	0.00	0.00
Transfers recognised - operational	39,770	40,601	40,601	40,601	0.00	0.00
Other revenue	7,251	23,434	24,234	23,568	0.57	-2.82
Gains on disposal of PPE	983	130	130	297	56.44	56.44
Total Revenue (excluding capital transfers and contributions)	194,873	211,697	207,497	196,111	-7.95	-5.81

Table 171: Revenue by Source

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2015/16 financial year:

Financial Performance of Operational Services						
Description	2014/15	2015/16			2015/16 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Water	34 257	25,894	14,794	11,365	-127.84	-30.17

Financial Performance of Operational Services						
Description	2014/15	2015/16			2015/16 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'ooo				%	
Operating Cost						
Waste Water (Sanitation)	18 701	16,885	15,060	11,036	-53.00	-36.46
Electricity	82 948	69,900	69,476	64,097	-9.05	-8.39
Waste Management	14 901	15,184	14,084	11,966	-26.89	-17.70
Housing	4 167	2,218	2,218	2,453	9.58	9.58
Component A: sub-total	154 976	130,081	115,632	100,917	-28.90	-14.58
Roads & Stormwater	12 466	16,493	16,493	10,320	-59.83	-59.83
Transport	0	0	0	0	0.00	0.00
Component B: sub-total	12 466	16,493	16,493	10,320	-59.83	-59.83
Planning	15 660	0	0	0	0.00	0.00
Local Economic Development	2 780	4,005	4,005	3,146	-27.31	-27.31
Component C: sub-total	18 440	4,005	4,005	3,146	-27.31	-27.31
Libraries	2 673	4,669	4,669	3,204	-45.74	-45.74
Cemeteries	1 141	1,118	1,118	682	-63.97	-63.97
Component D: sub-total	3 815	4,669	4,669	3,204	-45.74	-45.74
Other	0	666	739	1,613	58.71	54.17
Traffic & licensing	6 234	10,181	10,181	7,697	-32.27	-32.27
Fire Services and Disaster Management	338	637	577	300	-112.19	-92.21
Component E: sub-total	6 572	666	739	1,613	58.71	54.17
Holiday Resorts and Campsites	50	1,922	1,922	2,057	6.56	6.56
Swimming Pools, Stadiums and Sport Ground	3 291	1,473	1,473	1,213	-21.44	-21.44
Community halls, Town Commonage, Community Services	22 169	0	0	0	0.00	0.00
Component F: sub-total	25 509	3,395	3,395	3,269	-3.83	-3.83
Financial Services	17 946	20,440	20,290	13,620	-50.07	-48.97
Executive and Council	2 863	13,292	12,819	10,759	-23.55	-19.15
Corporate Services	12,354	12,354	10,530	-17.32	-17.32	12,354
Component G: sub-total	46,086	45,463	34,909	-32.02	-30.23	46,086
Total Expenditure	265 606	205,396	190,397	157,379	-30.51	-20.98

In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 172: Operational Services Performance

5.2 Financial Performance per Municipal Function

The tables below indicates the financial performance per municipal function:

5.2.1 Water Services

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	27,325	41,211	30,511	29,969	-37.51
Expenditure:					
Employees	1,803	2,233	2,233	2,167	-3.05
Repairs and Maintenance	890	1,420	1,420	950	-49.55
Other	13,598	12,240	11,140	8,248	-48.40
Total Operational Expenditure	16,291	15,894	14,794	11,365	-39.85
Net Operational (Service) Expenditure	11,034	25,317	15,717	18,604	-36.08

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 173: Financial Performance: Water Services

5.2.2 Waste Water (Sanitation)

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	27,065	59,345	26,178	24,199	-145.24
Expenditure:					
Employees	3,450	3,675	3,675	3,909	5.97
Repairs and Maintenance	365	4,169	4,169	550	-658.18
Other	10,023	9,041	7,216	6,577	-37.45
Total Operational Expenditure	13,839	16,885	15,060	11,036	-53.00
Net Operational (Service) Expenditure	13,227	42,460	11,118	13,162	-222.59

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 174: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	67,030	83,494	79,994	74,731	-11.73
Expenditure:					
Employees	5,042	5,621	5,621	5,945	5.44
Repairs and Maintenance	1,604	2,255	2,255	2,359	4.40
Other	74,384	62,024	61,600	64,794	4.27
Total Operational Expenditure	81,030	69,900	69,476	73,097	4.37
Net Operational (Service) Expenditure	(14,000)	13,593	10,517	1,634	-731.88

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 175: Financial Performance: Electricity

5.2.4 Waste Management

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	16,588	14,526	14,526	14,366	-1.11
Expenditure:					
Employees	7,829	7,568	7,568	7,328	-3.28
Repairs and Maintenance	615	804	804	407	-97.36
Other	7,800	6,812	5,712	4,231	-61.00
Total Operational Expenditure	16,244	15,184	14,084	11,966	-26.89
Net Operational (Service) Expenditure	344	(658)	442	2,400	127.40

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 176: Financial Performance: Waste Management

5.2.5 Housing

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	677	39	39	65	40.70
Expenditure:					
Employees	2,006	1,972	1,972	2,104	6.30
Repairs and Maintenance	12	34	34	1	-2756.51
Other	2,389	213	213	348	38.79
Total Operational Expenditure	4,407	2,218	2,218	2,453	9.58
Net Operational (Service) Expenditure	(3,730)	(2,180)	(2,180)	(2,388)	8.73

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

Table 177: Financial Performance: Housing

5.2.6 Roads and Stormwater

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	10,147	9,715	9,715	25	-38642.61
Expenditure:					
Employees	6,352	6,724	6,724	6,686	-0.57
Repairs and Maintenance	3,322	1,689	1,689	1,018	-65.93
Other	9,298	8,080	8,080	2,616	-208.88
Total Operational Expenditure	18,972	16,493	16,493	10,320	-59.83
Net Operational (Service) Expenditure	(8,825)	(6,778)	(6,778)	(10,295)	34.16

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

Table 178: Financial Performance: Roads and Stormwater

5.2.7 LED

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	595	595	0	0.00
Expenditure:					
Employees	2,881	3,252	3,252	3,071	-5.87
Repairs and Maintenance	0	28	28	0	0.00
Other	3,731	726	726	75	-871.41
Total Operational Expenditure	6,612	4,005	4,005	3,146	-27.31
Net Operational (Service) Expenditure	(6,612)	(3,411)	(3,411)	(3,146)	-8.40

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 179: Financial Performance: LED

5.2.8 Planning (Development Management, Spatial Planning and Environmental Management, Building Control, And Property Management)

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	898	2,800	2,800	1,000	-180.00
Expenditure:					
Employees	2,184	2,469	2,469	3,123	20.95
Repairs and Maintenance	2,321	2,200	2,200	2,793	21.23
Other	8,331	1,989	1,995	88	-2158.09
Total Operational Expenditure	12,836	6,658	6,664	6,005	-10.88
Net Operational (Service) Expenditure	(11,938)	(3,858)	(3,864)	(5,005)	22.92

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 180: Financial Performance: Planning

5.2.9 Libraries

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				
Total Operational Revenue	782	1,181	1,181	1,153	-2.47
Expenditure:					
Employees	2,618	2,631	2,631	2,512	-4.71
Repairs and Maintenance	33	44	44	7	-521.40
Other	4,841	1,994	1,994	684	-191.39
Total Operational Expenditure	7,492	4,669	4,669	3,204	-45.74
Net Operational (Service) Expenditure	(6,710)	(3,488)	(3,488)	(2,051)	-70.06

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 181: Financial Performance: Libraries

5.2.10 Cemeteries

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				
Total Operational Revenue	282	342	342	287	-19.26
Expenditure:					
Employees	653	817	817	597	-37.02
Repairs and Maintenance	11	27	27	12	-133.69
Other	77	273	273	74	-271.66
Total Operational Expenditure	741	1,118	1,118	682	-63.97
Net Operational (Service) Expenditure	(459)	(775)	(775)	(395)	-96.49

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 182: Financial Performance: Cemeteries

5.2.11 Social Services (Child Care; Aged Care; Social Programmes and Community Development)

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	2,022	2,578	2,578	1,838	-40.25
Repairs and Maintenance	51	107	107	55	-95.98
Other	9,590	380	276	188	-101.84
Total Operational Expenditure	11,663	3,065	2,962	2,081	-47.29
Net Operational (Service) Expenditure	(11,663)	(3,065)	(2,962)	(2,081)	-47.29

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 183: Financial Performance: Social Services

5.2.12 Traffic Services and Law Enforcement

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	24,647	8,232	8,232	3,815	-115.79
Expenditure:					
Employees	4,693	4,347	4,347	4,993	12.94
Repairs and Maintenance	214	535	535	21	-2424.01
Other	2,791	5,299	5,299	2,683	-97.51
Total Operational Expenditure	7,698	10,181	10,181	7,697	-32.27
Net Operational (Service) Expenditure	16,949	(1,949)	(1,949)	(3,882)	49.80

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 184: Financial Performance: Traffic Services and Law Enforcement

5.2.13 Fire Services and Disaster Management

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	296	286	286	269	-6.33
Repairs and Maintenance	17	161	161	0	0
Other	15	190	130	31	-508.14
Total Operational Expenditure	329	637	577	300	-112.19
Net Operational (Service) Expenditure	(329)	(637)	(577)	(300)	-112.19
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 185: Financial Performance: Fire Services and Disaster Management

5.2.14 Holiday Resorts and Campsites

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	1	4	4	7	51.46
Expenditure:					
Employees	0	0	0	0	0.00
Repairs and Maintenance	0	16	16	0	0.00
Other	56	60	60	27	-125.47
Total Operational Expenditure	56	76	76	27	-183.63
Net Operational (Service) Expenditure	(55)	(72)	(72)	(19)	-272.94
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 186: Financial Performance: Holiday Resorts and Campsites

5.2.15 Swimming Pools and Sport Grounds

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	111	87	87	153	42.89
Expenditure:					
Employees	2,914	928	928	1,009	8.05
Repairs and Maintenance	514	309	309	113	-173.91
Other	657	236	236	91	-159.48
Total Operational Expenditure	4,085	1,473	1,473	1,213	-21.44
Net Operational (Service) Expenditure	(3,974)	(1,385)	(1,385)	(1,060)	-30.74
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 187: Financial Performance: Swimming Pools and Sport Grounds

5.2.16 Community Halls & Town Commonage

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	320	320	0	0.00
Expenditure:					
Employees	0	1,223	1,223	1,119	-9.27
Repairs and Maintenance	0	517	517	421	-22.77
Other	219	1,270	1,270	332	-281.97
Total Operational Expenditure	219	3,010	3,010	1,873	-60.71
Net Operational (Service) Expenditure	(219)	(2,690)	(2,690)	(1,873)	-43.61
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 188: Financial Performance: Community Halls & Town Commonage

5.2.17 Office of the MM

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	420	427	427	427	0.00
Expenditure:					
Employees	1,980	1,944	1,944	2,029	4.18
Repairs and Maintenance	2	40	40	4	-898.27
Other	428	1,772	1,547	400	-343.19
Total Operational Expenditure	2,410	3,757	3,531	2,433	-54.40
Net Operational (Service) Expenditure	(1,990)	(3,330)	(3,104)	(2,006)	-65.98
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 189: Financial Performance: Office of the MM

5.2.18 Corporate Services

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	79	80	80	82	2.40
Expenditure:					
Employees	4,214	5,595	5,596	5,678	1.45
Repairs and Maintenance	298	845	845	189	-348.05
Other	6,312	5,914	5,914	4,664	-26.79
Total Operational Expenditure	10,824	12,354	12,354	10,530	-17.32
Net Operational (Service) Expenditure	(10,745)	(12,274)	(12,274)	(10,448)	-17.47
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 190: Financial Performance: Corporate Services

5.2.19 Financial Services

Description	2014/15	2015/16			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	37,395	42,932	42,932	41,966	-2.30
Expenditure:					
Employees	8,344	9,566	9,526	9,240	-3.52
Repairs and Maintenance	231	982	982	323	-203.84
Other	8,600	9,892	9,712	4,056	-143.86
Total Operational Expenditure	17,175	20,440	20,220	13,620	-50.07
Net Operational (Service) Expenditure	20,220	22,492	22,712	28,346	20.65

Variations are calculated by dividing the difference between the actual and original budget by the actual.

Table 191: Financial Performance: Financial Services

5.3 Grants

5.3.1 Grant Performance

Grant Performance						
Description	2014/15	2015/16			2015/16 Variance	
	Actual (audited Outcome)	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
R'000					%	
Capital Transfers and Grants						
National Government:	38,829	39,459	39,459	39,459	0.00	0.00
Equitable share	35,342	35,929	35,929	35,929	0.00	0.00
Municipal Systems Improvement	934	930	930	930	0.00	0.00
EPWP: Pointduty	953	1,000	1,000	1,000	0.00	0.00
Finance Management Grant	1 600	1 600	1 600	1 600	0.00	0.00
Provincial Government:	757	1,142	1,142	1,142	0.00	0.00
Library Grant	757	1,142	1,142	1,142	0.00	0.00
Other grant providers:	93	0	0	0	0.00	0.00
Working for Water - DWAF	93	0	0	0	0.00	0.00
Total Capital Transfers and Grants	39,679	40,601	40,601	40,601	0.00	0.00

Table 192: Grant Performance for 2015/16

5.3.2 Conditional Grants

Details	2014/15	2014/2015			2014/15 Variance	
	Actual	Budget	Adjusted Budget	Actual	Variance	
					Budget	Adjusted Budget
R'ooo					%	
Financial Management Grant (FMG)	1,600	1,600	1,600	1,600	0.00	0.00
Municipal Systems Improvement Grant	934	930	930	930	0.00	0.00
Flood Damage (Housing)	0	0	0	0	0.00	0.00
Municipal Infrastructure Grant (MIG)	13,967	11,898	11,898	11,898	0.00	0.00
Integrated National Electrification Programme	0	1,500	1,500	1,500	0.00	0.00
Infrastructure Skills Development	0	0	0	0	0.00	0.00
Expanded Public Works Program(EPWP)	897	1,000	1,000	1,000	0.00	0.00
Library Grant	757	1,142	1,142	1,142	0.00	0.00
Housing Grant	645	0	0	35	100.00	100.00
Working for Water - DWAF	81	0	0	0	0.00	0.00
Equitable share	35,342	35,929	35,929	34,129	-5.27	-5.27
Total	54,223	53,999	53,999	52,234	-3.38	-3.38

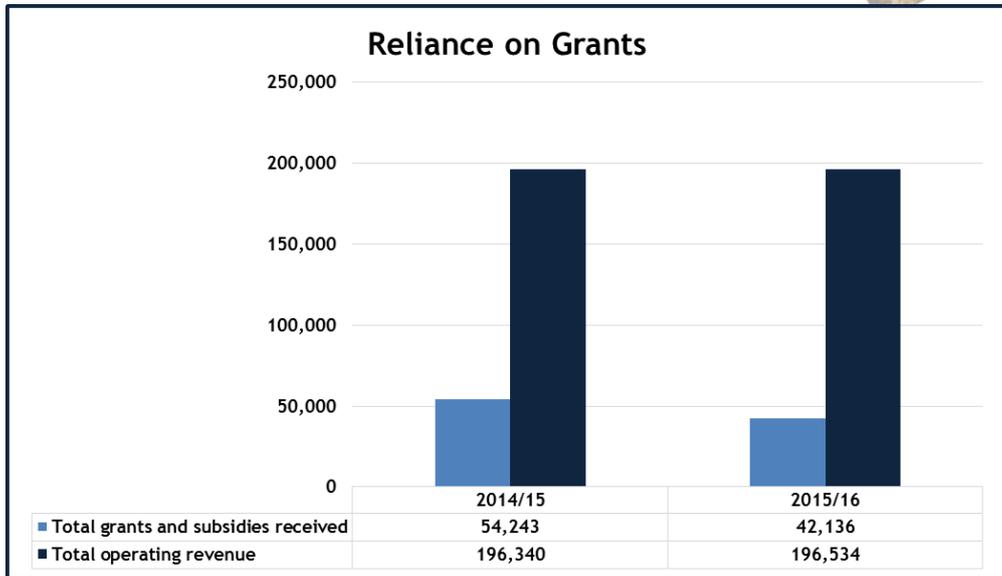
Table 193: Conditional Grant

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'ooo		%
2014/15	54 243	196 340	27.63
2015/16	42 136	196 534	21.44

Table 194: Reliance on Grants

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



Graph 8: Reliance on Grants

5.4 Asset Management

5.4.1 Three Largest Assets

Asset 1		
Name	De Aar East Reservoir	
Description	Storage	
Asset Type	Infrastructure Assets	
Key Staff Involved	Chris Hendricks	
Staff Responsibilities	N/A	
Asset Value as at 30 June 2015	2014/15 R million	2015/16 R million
	13,415	12,860
Capital Implications	N/A	
Future Purpose of Asset	Storage of Water	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 195: Asset 1

Asset 2	
Name	De Aar West Reservoir
Description	Storage
Asset Type	Infrastructure Assets
Key Staff Involved	Chris Hendricks
Staff Responsibilities	N/A

Asset Value as at 30 June 2015	2014/15 R million	2015/16 R million
		11,179
Capital Implications	N/A	
Future Purpose of Asset	Storage of Water	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 196: Asset 2

Asset 3		
Name	Wentworth	
Description	Streets	
Asset Type	Infrastructure Assets	
Key Staff Involved	Peter Jacobs	
Staff Responsibilities	N/A	
Asset Value as at 30 June 2015	2014/15 R million	2015/16 R million
	9,487	8,975
Capital Implications	N/A	
Future Purpose of Asset	Use of tarred streets for driving	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 197: Asset 3

5.4.2 Repairs and Maintenance

Description	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	11,215	16,618	16,618	9,470	-43.02

Table 198: Repairs & Maintenance

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

Description	Basis of calculation	2014/15	2015/16
Current Ratio	Current assets/current liabilities	2.94	2.23
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.60	1.38
Liquidity Ratio	Monetary assets/current liabilities	0.27	1.38

Table 199: *Liquidity Financial Ratio*

5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2014/15	2015/16
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.96	0.9
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.55	47.60%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	7.68	2.77

Table 200: *Financial Viability National KPAs*

5.5.3 Borrowing Management

Description	Basis of calculation	2014/15	2015/16
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.02	0.00

Table 201: *Borrowing Management*

5.5.4 Employee costs

Description	Basis of calculation	2014/15	2015/16
Employee costs	Employee costs/(Total Revenue - capital revenue)	34%	34.00%

Table 202: *Employee Costs*

5.5.5 Repairs & Maintenance

Description	Basis of calculation	2014/15	2015/16
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	0.07	0.04

Table 203: Repairs & Maintenance

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Sources of Finance

5.6.1 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2015/16 financial year:

Capital Expenditure: Funding Sources						
Details	2014/15	2015/16				
	Audited outcome	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'ooo				%	
External loans	0	0	0	0	0.00	0.00
Public contributions and donations	0	0	0	0	0.00	0.00
Grants and subsidies	13,833	55,958	12,791	8,651	-77.14	-7.40
Own funding	362	9,886	6,331	780	-35.97	-56.14
Total	14,194	65,844	19,121	9,431	-70.96	-14.72
Percentage of Finance						
External loans	0	0	0	0		
Public contributions and donations	0	0	0	0		
Grants and subsidies	97	394	90	61		
Own funding	3	15	33	8		
Capital Expenditure						
Description	R'ooo				%	
Water and sanitation	13,833	180	2,971	2,832	1550.42	-76.81
Electricity	0	6,726	2,100	1,317	-68.78	-11.65
Housing	45	0	0	0	0.00	0.00
Roads and Stormwater	0	11,724	11,724	5,019	0.00	-57.19
Other	317	48,714	2,326	264	-95.22	-4.23
Total	14,194	67,344	19,121	9,431	-71.61	-14.39

Capital Expenditure: Funding Sources						
Details	2014/15	2015/16				
	Audited outcome	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
Percentage of Expenditure						
Water and sanitation	97	0	16	30		
Electricity	0	10	11	14		
Housing	0	0	0	0		
Roads and stormwater	0	17	61	53		
Other	2	72	12	3		

Table 204: Capital Expenditure by Funding Source

5.6.2 Capital Spending on Largest Capital Projects

Name of Project	2015/16				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Construction of new streets: Phase 1	8,500	8,500	4,054	-52	-52
Construction of main sewer in Hanover 470	2,238	2,238	3,024	35	35
Electricity upgrades in Nonzwakazi & De Aar East and Waterdal (INEP)	1,500	1,500	1,500	0	0
Construction, resealing and rehabilitation of streets	2,800	2,800	336	-88	-88
Regional Bulk Infrastrucure Grant: Water supply	10,000	0	0	-100	0
Name of Project - A	Construction of new streets: Phase 1				
Objective of Project	Construction of new streets in Emthanjeni				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	42 356				
Name of Project - B	Construction of main sewer in Hanover 470				
Objective of Project	Construction of sewer in Hanover				
Delays	N/A				
Future Challenges	N/A				
Anticipated citizen benefits	42 356				
Name of Project - C	Electricity upgrades in Nonzwakazi & De Aar East and Waterdal (INEP)				
Objective of Project	Upgrades in Emthanjeni electricity infrastructure				
Delays	N/A				
Future Challenges	N/A				

Anticipated citizen benefits	42 356
Name of Project - D	Construction, resealing and rehabilitation of streets
Objective of Project	Construction, resealing and rehabilitation of streets
Delays	N/A
Future Challenges	N/A
Anticipated citizen benefits	42 356
Name of Project - E	Regional Bulk Infrastructure Grant: Water supply
Objective of Project	Water infrastructure to increase the supply
Delays	N/A
Future Challenges	N/A
Anticipated citizen benefits	42 356

Table 205: Capital Spending on Largest Capital Projects

5.6.3 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG Expenditure on Service Backlogs:

MIG Expenditure on Service Backlogs					
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustment Budget
	R'ooo			%	%
Infrastructure - Sanitation	2,791	2,791	2,819	0.99	0.99
Infrastructure - Roads and Transport	8,500	8,500	4,516	-88.22	-88.22
Total	11,291	11,291	7,335	-53.93	-53.93

* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 206: MIG Expenditure on Service Backlogs

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

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

5.7 Cash Flow

Cash Flow Outcomes				
R'000				
Description	2014/15	2015/16		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	114,623	157,241	156,391	152,307
Government - operating	36,215	40,601	40,601	40,601
Government - capital	14,694	56,565	13,398	13,433
Interest	1,596	715	715	1,163
Dividends	0	0	0	0
Payments				
Suppliers and employees	(151,296)	(184,234)	(170,203)	(163,954)
Finance charges	(1,337)	(2,556)	(3,556)	(643)
Transfers and Grants	(225)	(12,938)	(11,662)	(13,840)
Net cash from/(used) operating activities	14,269	55,395	25,684	29,068
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	1,186	124	124	297
Decrease (increase) in non-current debtors	0	0	0	0
Decrease (increase) other non-current receivables	0	0	0	0
Decrease (increase) in non-current investments	0	2,800	30	0
Payments				
Capital assets	(14,194)	(62,298)	(19,121)	(9,431)
Net cash from/(used) investing activities	(13,008)	(59,374)	(18,967)	(9,134)
Cash flows from financing activities				
Receipts				
Short term loans	0	0	0	0
Borrowing long term/refinancing	0	5,046	0	0
Payments				

Cash Flow Outcomes				
R'000				
Description	2014/15	2015/16		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000			
Repayment of borrowing	(2,777)	(4,084)	(1,028)	(2,732)
Net cash from/(used) financing activities	(2,777)	962	(1,028)	(2,732)
Net increase/ (decrease) in cash held	(1,515)	(3,017)	5,690	17,202
Cash/cash equivalents at the year begin:	233	3,624	(1,283)	(1,283)
Cash/cash equivalents at the yearend:	(1,283)	606	4,407	15,919

Table 207: Cash flow

5.8 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2014/15	21,946	21,626	10,123	0	169	53,864
2015/16	17,871	32,503	13,742	0	293	64,407
Difference	(4,075)	10,876	3,619	0	124	10,543
% growth year on year	-19	50	36	0	74	20

Note: Figures exclude provision for bad debt

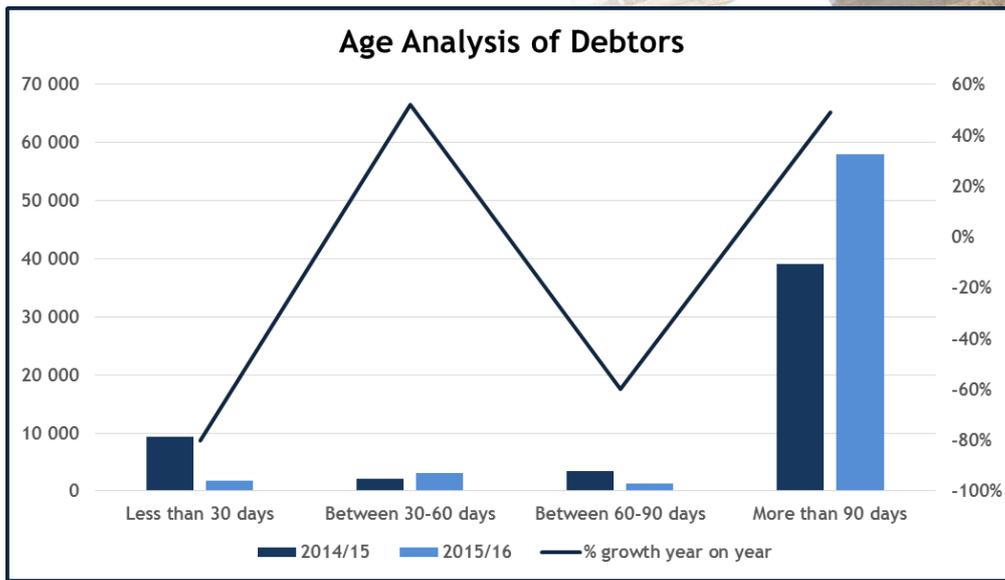
Table 208: Gross Outstanding Debtors per Service

5.9 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000				
2014/15	9,341	2,078	3,416	39,028	53,864
2015/16	1,882	3,162	1,366	57,998	64,407
Difference	(7,459)	1,083	(2,050)	18,969	10,543
% growth year on year	-80	52	-60	49	20

Note: Figures exclude provision for bad debt.

Table 209: Service Debtor Age Analysis



Graph 9: Service Debtor Age Analysis

5.10 Borrowing and Investments

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

5.10.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2014/15	2015/16
	R'000	
Long-Term Loans (annuity/reducing balance)	3 212	373

Table 210: Actual Borrowings

5.10.2 Municipal Investments

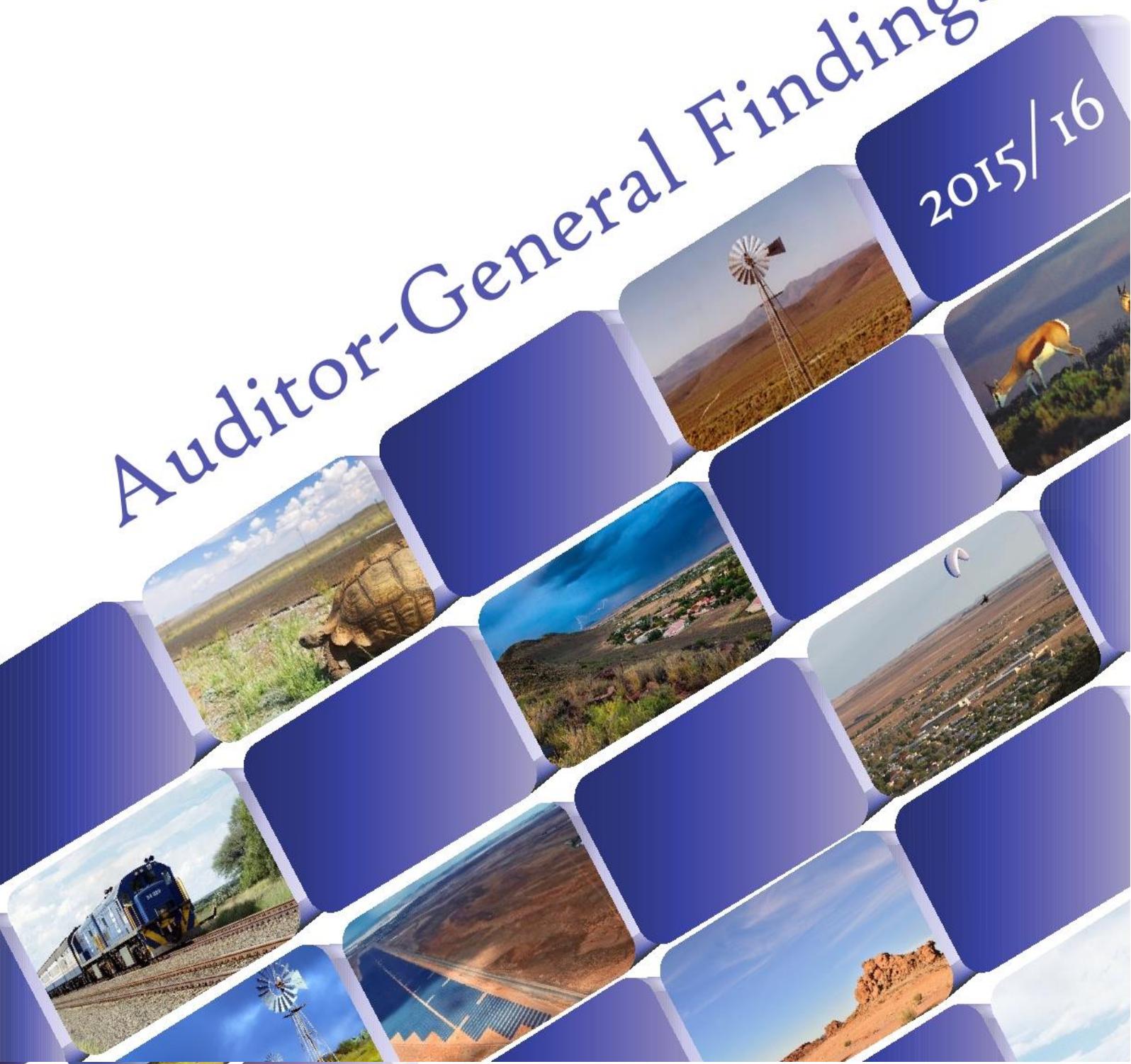
Actual Investments		
R'000		
Investment type	2014/15	2015/16
	Actual	
	R'000	
Deposits - Bank	12 186	13 919
Other	26	26
Total	12 212	13 945

Table 211: Municipal Investments

Chapter 6

2015/16

Auditor-General Findings



CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2014/15

6.1 Auditor General Report 2014/15

Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Financial Statements	
Material losses due to electricity losses to the amount of R5 293 327 (R5 497 172) were incurred as a result of tampered and faulty meters, incorrect use of ratio in bulk meters and illegal connections	All relevant information will be taken into account when the distribution losses will be calculated.
Compliance with legislation	
Strategic and performance management	
The performance management system and related controls were not in place as it did not describe and represent the processes of performance reporting and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.	Clear Standard Operating Procedures will be developed and implemented to ensure that different role-players understand their roles and functions adequately.
Audit committee	
The audit committee did not advise the council and accounting officer on matters relating to effective governance as required by section 166(2)(a) of the MFMA.	Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively. Quarterly reports from the Audit Committee will be tabled to Council
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	Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively.
Expenditure management	
Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Municipality will ensure compliance in this regard
Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as required by section 62(1)(d) of the MFMA.	Budgetary Reforms in relation to Unauthorised expenditure and Irregular expenditure will be strengthened to ensure that these expenditure are controlled effectively
Asset and liability management	
An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.	With the implementation of SCOA, it will address the weakness and eliminate all Third Party Agreements
Internal control	
Leadership	
The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in	Management will strengthen Internal Controls to ensure that Compliance is met.

Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
turn, resulted in irregular and unauthorised expenditure.	
Leadership did not regularly monitor management’s compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.	Management will strengthen Internal Controls to ensure that Compliance is met.
Personnel had not been allocated specific duties and responsibilities to facilitate the continuous monitoring of internal controls.	Management will revisit the Job Descriptions and ensure that all staff understand their duties and responsibilities clearly.
Leadership did not continuously monitor the audit action plan, and individuals responsible for particular sections of the plan were not held accountable.	Monthly Audit Action Plan meetings will be held. Specific Directorates will report to the Mayor, Executive Committee, MPAC and Municipal Manager on the progress of the Audit Action Plan
Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit.	The area of IT will be zoomed during the 2015/2016 financial year. Various meetings with the IT section of Provincial Treasury, IT Service Provider and Management will be conducted to ensure that the majority of weakness in the IT are address timeously
Financial and performance management	
Weekly and monthly reconciliations were not always adequately prepared for financial items during the year including property rates, creditors, and inventory and consumer deposits. This has resulted in the municipality being required to rely on manual reconciliation at year end. Due to the significant increase in volume of manual reconciliation required, assurance processes were not implemented timely to ensure information is accurate and complete.	Management will strengthen Internal Controls to ensure that Reconciliations are perform weekly and monthly.
Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance management systems, processes and procedures had not been designed and implemented. The usefulness and reliability of predetermined information was neither implemented nor monitored.	Management will strengthen Internal Controls to ensure that Compliance is met.
Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit.	The area of IT will be zoomed during the 2015/2016 financial year. Various meetings with the IT section of Provincial Treasury, IT Service Provider and Management will be conducted to ensure that the majority of weakness in the IT are address timeously
The financial statements were subject to material corrections resulting from the audit, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.	Management will strengthen Internal Controls to ensure that weaknesses are address before the Financial Statements are submitted to the Office of Auditor General.
Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.	Management will strengthen Internal Controls to ensure that Compliance is met.
Governance	
The audit committee was not effective and efficient as it did not advice council on issues of effective governance and did not respond to council on issues raised by the Auditor General.	Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively.

Table 212: AG Report on Financial Performance 2014/15

COMPONENT B: AUDITOR-GENERAL OPINION 2015/16

6.2 Auditor General Report 2015/16

2015/16	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Unauthorised expenditure	
Unauthorised expenditure of R71 974 257 (2015: R69 181 215) during the year under review mainly due to the overspending of the total amount appropriated for a few votes and departments of the municipality's approved budget. The total amount of unauthorised expenditure recorded in the financial statements at 30 June 2016 amount to R236 890 706 (2015: R164 916 450).	Unauthorised expenditure must be investigated and reported to Council
Irregular expenditure	
The Municipality incurred irregular expenditure of R6 080 708 (2015: R10 598 880) during the year under review mainly due to non-compliance with SCM requirements. The total amount of irregular expenditure recorded in the financial statements at 30 June 2016 amount to R69 170 694 (2015: R63 089 986).	Irregular expenditure must be investigated and reported to Council
Expenditure management	
Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Municipality will ensure compliance in this regard
Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as required by section 62(1)(d) of the MFMA.	Budgetary Reforms in relation to unauthorised expenditure and irregular expenditure will be strengthened to ensure that these expenditures are controlled effectively
Internal control	
Leadership	
The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in turn, resulted in irregular and unauthorised expenditure.	Management will strengthen Internal Controls to ensure that Compliance is met.
Leadership did not regularly monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.	Management will strengthen Internal Controls to ensure that Compliance is met.
Leadership did not continuously monitor the audit action plan, and individuals responsible for particular sections of the plan were not held accountable.	Monthly Audit Action Plan meetings will be held. Specific Directorates will report to the Mayor, Executive Committee, MPAC and Municipal Manager on the progress of the Audit Action Plan
Financial and performance management	
Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance management systems, processes and procedures had not been designed and implemented. The usefulness and reliability of predetermined information was neither implemented nor monitored.	Management will strengthen Internal Controls to ensure that Compliance is met.

2015/16	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
The financial statements were subject to material corrections resulting from the audit, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.	Management will strengthen Internal Controls to ensure that weaknesses are address before the Financial Statements are submitted to the Office of Auditor General.
Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.	Management will strengthen Internal Controls to ensure that Compliance is met.

Table 213: AG Report on Financial Performance 2015/16

LIST OF ABBREVIATIONS

AG	Auditor-General
AFS	Annual Financial Statements
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
CMTF	Council Meets The People
COGHSTA	Department of Cooperative Governance, Human settlements and Traditional Affairs
DPLG	Department of Provincial and Local Government
DWA	Department of Water Affairs
EE	Employment Equity
EPWP	Extended Public Works Programme
EXCO	Executive Committee
FBS	Free Basic Services
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
NCOP	National Council of Provinces
NERSA	National Energy Regulator South Africa
NGO	Non-governmental organisation
NT	National Treasury
OPEX	Operating expenditure



Chapter 6: Auditor-General Findings

PMS	Performance Management System
PT	Provincial Treasury
SALGA	South African Local Government Association
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework

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Annexure A

Financial Statements



EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL INFORMATION

Members of the Council:

ST Sthonga	Mayor
MM Freddie	Speaker
B Swanepoel	Chairperson of Section 79 Committee
AF Jaftha	Member of Executive Committee
GL Nyl	Member of Executive Committee
WJ du Plessis	Member
VG Jonas	Member
J Jood	Member
MC Kivedo	Member
M Malherbe	Member
GL Nkumbi	Member
HJ Rust	Member
F Swanepoel	Member
NS Thomas	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 Dr. Pixley-ka-Seme Drive
De Aar
7000

Physical address:

45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Postal address:

P.O. Box 42
De Aar
7000

Telephone number:

(053) 632 9100

Fax number:

(053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 111, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) 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 33 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

Municipal Manager: I Visser

31 August 2016

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2016.

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, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/2016 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates an increase in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Payables as well as Unspent

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.

2.1 Financial Statement Ratios:

Indicator	2016	2015
Surplus / (Deficit) before Appropriations	(57 436 666)	(48 111 589)
Surplus / (Deficit) at the end of the Year	862 806 088	920 242 753
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.70%	25.86%
Remuneration of Councillors	1.66%	1.60%
Collection Costs	0.19%	0.11%
Depreciation and Amortisation	23.37%	23.96%
Impairment Losses	11.53%	13.81%
Repairs and Maintenance	4.36%	4.35%
Interest Paid	0.66%	0.43%
Bulk Purchases	20.47%	18.20%
Contracted Services	3.42%	2.95%
Grants and Subsidies Paid	0.09%	0.09%
General Expenses	7.40%	8.45%
Loss on Disposal of Property, Plant and Equipment	0.15%	0.21%
Inventory Written-off	0.00%	0.00%
Loss on Sale of Land	0.00%	0.00%
Current Ratio:		
Trade Creditors Days	62	9
Debtors from Exchange Transactions Days	141	115

The ratio for Debtors Days, calculated on net Debtors, remained consistent with that of the previous financial year, due to the provision for impairment made for the year under review.

2.2 Performance Indicators:

Indicator	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	81.61%	92.46%
Outstanding Service Debtors to Revenue	101.45%	91.67%
Liquidity Management:		
Liquidity Ratio	2.26	2.75

EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

Liability Management:		
Capital Cost as percentage of Own Revenue	7.34%	7.35%
Borrowed Funding as percentage of Own Capital Expenditure	391.35%	-
Borrowing as percentage of Total Capital Assets	9.93%	-
Safety of Capital:		
Gearing	0.23%	0.43%
Financial Viability:		
Debt Coverage	1.00%	2.04%
Cost Coverage		

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

Indicator	2016	2015
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	2.13	(1.74)
Capital Expenditure on Infrastructure to Total Capital Expenditure	87.59%	97.60%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

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 2016 are as follows:

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income:					
Opening surplus / (deficit)	920 242 753	958 633 391	(4.00)%	944 386 000	(2.56)%
Operating income for the year	208 402 845	210 432 770	(0.96)%	220 897 000	(5.66)%
	1 128 645 598	1 169 066 161		1 165 283 000	
Expenditure:					
Operating expenditure for the year	265 839 510	258 544 359	2.82%	215 864 000	23.15%
Sundry transfers	-	(9 720 952)	(100.00)%	-	0.00%
Closing surplus / (deficit)	862 806 088	920 242 753	(6.24)%	949 419 000	(9.12)%
	1 128 645 598	1 169 066 161		1 165 283 000	

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 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income	76 088 890	79 097 832	(3.80)%	69 647 000	9.25%
Expenditure	(122 695 940)	(151 045 395)	(18.77)%	(100 230 000)	22.41%
Surplus / (Deficit)	(46 607 051)	(71 947 563)	(35.22)%	(30 583 000)	52.40%
Surplus / (Deficit) as % of total income	(61.25)%	(90.96)%		(43.91)%	

Variance from 2016 budget:

The significant fluctuation in respect to the Income reported is the result of Other Income not being achieved as budgeted for.

Variance from 2015 actual:

The decrease in Income is attributable to the decrease in the Government Grants and Subsidies Received, as well as Revenue generated in the previous year from the Hospital Electricity Line, which did not re-occur in the current year. Management implemented more strict control over expenditure items, resulting in a significant decrease in the Expenditure and a decrease in the overall deficit in comparison to that reported in the previous financial year.

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.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income	57 314	677 719	(91.54)%	39 000	46.96%
Expenditure	(10 853 597)	(4 452 101)	143.79%	(2 218 000)	389.34%
Surplus / (Deficit)	(10 796 284)	(3 774 382)	186.04%	(2 179 000)	395.47%
Surplus / (Deficit) as % of total income	(18837.24)%	(556.92)%		(5587.18)%	

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

Variance from 2016 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. Although the fluctuation in Income is material in %, the Rand-value attached is not.

Variance from 2015 actual:

In the previous year the Municipality received a Housing Accreditation Grant, which was significant lower in the current year.

3.3 Waste Management Services:

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income	39 575 020	43 653 254	(9.34)%	40 704 000	(2.77)%
Expenditure	(46 798 278)	(30 080 081)	55.58%	(29 144 000)	60.58%
Surplus / (Deficit)	(7 223 258)	13 573 173	(153.22)%	11 560 000	(162.48)%
Surplus / (Deficit) as % of total income	(18.25)%	31.09%		28.40%	

Variance from 2016 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

Variance from 2015 actual:

The fluctuation is due to completed projects in the previous financial year, which has started to depreciated in the current financial year.

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 R52 295 143 (2015: R45 222 232). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income	72 861 560	67 029 700	8.70%	79 994 000	(8.92)%
Expenditure	(67 874 439)	(80 275 166)	(15.45)%	(69 476 000)	(2.31)%
Surplus / (Deficit)	4 987 122	(13 245 466)	(137.65)%	10 518 000	(52.58)%
Surplus / (Deficit) as % of total income	6.84%	(19.76)%		13.15%	

Variance from 2016 budget:

No material fluctuations have been reported.

Variance from 2015 actual:

The Municipality was able to generate more Electricity Revenue during the current year, exceeding their expectations. Management implemented more strict control over expenditure items, resulting in a significant decrease in the Expenditure and a decrease in the overall deficit in comparison to that reported in the previous financial year.

3.5 Water Services:

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 125 081 (2015: R1 826 423). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Income	29 827 017	27 325 462	9.15%	30 511 000	(2.24)%
Expenditure	(27 624 210)	(30 122 894)	(8.29)%	(14 794 000)	86.73%
Surplus / (Deficit)	2 202 807	(2 797 432)	(178.74)%	15 717 000	(85.98)%

EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

Surplus / (Deficit) as % of total income	7.39%	(10.24)%		51.51%
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Variance from 2016 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

Variance from 2015 actual:

No material fluctuations have been reported.

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REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R11 646 409 (2015: R14 194 318). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R11 646 409 was financed as follows:

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Grants and Subsidies	10 194 807	13 832 615	(26.30)%	11 908 000	(14.39)%
Own Funds (Accumulated Surplus)	295 431	361 703	(18.32)%	5 991 000	(95.07)%
Borrowings	1 156 171	-	100.00%	6 000 000	(80.73)%
	11 646 409	14 194 318	55.38%	23 899 000	(190.19)%

Source of funding as a percentage of Total Capital Expenditure:

Details	2016	2015
Grants and Subsidies	87.54%	97.45%
Public Contributions	2.54%	2.55%
Borrowings	9.93%	-
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

Details	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	5 033 000	599 000
Revenue variances	(12 494 155)	7 832 770
Expenditure variances:		
Employee Related Costs	(4 180 361)	(3 899 269)
Remuneration of Councillors	178 820	134 541
Collection Costs	(492 164)	(283 077)
Depreciation and Amortisation	(52 868 769)	(53 255 612)
Impairment Losses	(20 424 311)	(25 209 091)
Repairs and Maintenance	5 027 989	(2 888 519)
Finance Costs	1 794 659	1 419 059
Bulk Purchases	(1 326 223)	480 345
Contracted Services	1 247 226	620 320
Grants and Subsidies Paid	11 414 951	13 443 534
General Expenses	10 063 446	13 442 834
Loss on Disposal of Property, Plant and Equipment	(410 774)	(545 423)
Inventory Written-off	-	-
Loss on Sale of Land	-	-
Actual surplus before appropriations	(57 436 666)	(48 108 589)

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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

Details	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	5 033 000	599 000
Executive and Council	(1 293 372)	(968 446)
Finance and Administration	(2 415 055)	1 490 870
Planning and Development	(12 608 620)	(10 598 086)
Health	(78 960)	161 879
Community and Social Services	(16 053 817)	(14 711 628)
Housing	(8 617 284)	(1 701 382)
Public Safety	13 799 886	17 015 169
Sport and Recreation	115 684	252 854
Environmental Protection	-	-
Waste Management	(18 783 258)	4 715 173
Roads and Transport	3 384 809	(6 684 457)
Water	(13 514 193)	(14 327 432)
Electricity	(5 530 878)	(22 639 466)
Other	(874 606)	(715 637)
Actual surplus before appropriations	<u>(57 436 664)</u>	<u>(48 111 589)</u>

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

5.2 Capital Budget:

Details	Actual 2016 R	Actual 2015 R	Percentage Variance %	Budgeted 2016 R	Variance Actual / Budgeted %
Executive and Council	160 953	9 299	1630.86%	89 000	80.85%
Finance and Administration	483 659	173 655	178.52%	1 647 000	(70.63)%
Planning and Development	295 269	-	100.00%	12 000	2360.57%
Health	-	-	-	-	-
Community and Social Services	177 843	133 979	32.74%	207 000	(14.09)%
Housing	-	-	-	-	-
Public Safety	79 081	-	100.00%	88 000	(10.14)%
Sport and Recreation	-	-	-	261 000	(100.00)%
Waste Management	1 173 363	-	100.00%	2 822 000	(58.42)%
Roads and Transport	6 673 205	13 832 615	(51.76)%	11 724 000	(43.08)%
Water	13 596	-	100.00%	180 000	(92.45)%
Electricity	2 589 439	-	100.00%	2 100 000	23.31%
Other	-	44 770	(100.00)%	-	-
	<u>11 646 408</u>	<u>14 194 318</u>	<u>(17.95)%</u>	<u>19 130 000</u>	<u>(39.12)%</u>

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R862 806 088 (2015: R920 242 753) and is made up as

Capital Replacement Reserve	2 252 793
Accumulated Surplus	860 553 295
	<u>862 806 088</u>

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, is made annually to the reserve.

**EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

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 22 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R618 887 (2015: R733 677).

Refer to Note 19 and Appendix "A" for more detail.

EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R39 477 366 as at 30 June 2016 (2015: R37 013 607) and is made up as follows:

Post-retirement Health Care Benefits Liability	36 075 300
Long Service Awards Liability	<u>3 402 066</u>
	<u><u>39 477 366</u></u>

The Post-retirement Health Care Benefits 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.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R7 030 107 as at 30 June 2016 (2015: R6 410 237) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>7 030 107</u>
	<u><u>7 030 107</u></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 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R61 066 199 as at 30 June 2016 (2015: R46 247 683) and is made up as follows:

Consumer Deposits	Note 13	2 192 648
Provisions	Note 14	1 469 186
Payables from Exchange Transactions	Note 15	37 493 106
Payables from Non-exchange Transactions	Note 16	1 780 812
Unspent Conditional Grants and Receipts	Note 17	4 996 476
VAT Payable	Note 18	4 747 775
Bank Overdraft	Note 5	7 320 915
Current Portion of Long-term Liabilities	Note 19	1 065 281
		<u><u>61 066 199</u></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.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R820 599 100 as at 30 June 2016 (2015: R871 437 945).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R82 711 as at 30 June 2016 (2015: R235 393).

Intangible Assets are assets which cannot physically be identified and verified 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 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R5 018 200 as at 30 June 2016 (2015: R5 004 000).

**EMTHANJENI LOCAL MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

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

**EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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REPORT OF THE CHIEF FINANCIAL OFFICER

14. HERITAGE ASSETS

The net value of Heritage Assets were R6 959 273 as at 30 June 2016 (2015: R6 959 273).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

15. NON-CURRENT INVESTMENTS

The Municipality held Investments to the value of R26 120 as at 30 June 2016 (2015: R25 639).

Refer to Note 11 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R1 369 at 30 June 2016 (2015: R1 264) is made up as follows:

Other Loans		1 369
		1 369
Less: Short-term portion included in Current Assets		-
		1 369

Refer to Note 12 for more detail.

17. CURRENT ASSETS

Current Assets amounted R138 307 853 as at 30 June 2016 (2015: R126 970 713) and is made up as follows:

Inventories	Note 2	62 921 881
Receivables from Exchange Transactions	Note 3	46 536 877
Receivables from Non-exchange Transactions	Note 4	13 995 354
Cash and Cash Equivalents	Note 5	14 844 627
Operating Lease Assets	Note 6	1 714
		138 300 453

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

18. 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 17 and 27, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

20. 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 2016

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	Actual	
		2016 R	2015 Restated R
ASSETS			
Current Assets		138 300 453	126 970 713
Inventories	2	62 921 881	62 962 514
Receivables from Exchange Transactions	3	46 536 877	31 918 169
Receivables from Non-exchange Transactions	4	13 995 354	19 797 403
Cash and Cash Equivalents	5	14 844 627	12 281 744
Current Portion of Operating Lease Receivables	6	1 714	10 883
Non-Current Assets		832 698 193	883 677 243
Property, Plant and Equipment	7	820 599 100	871 437 945
Intangible Assets	8	82 117	235 393
Investment Property	9	5 018 200	5 004 000
Heritage Assets	10	6 959 273	6 959 273
Non-current Investments	11	26 120	25 639
Long-term Receivables	12	1 369	1 264
Operating Lease Receivables	6	12 015	13 729
Total Assets		970 998 647	1 010 647 957
LIABILITIES			
Current Liabilities		61 066 199	46 247 683
Consumer Deposits	13	2 192 648	2 111 697
Provisions	14	1 469 186	1 346 184
Payables from Exchange Transactions	15	37 493 106	19 635 116
Payables from Non-exchange Transactions	16	1 780 812	1 609 422
Unspent Conditional Grants and Receipts	17	4 996 476	3 760 679
VAT Payable	18	4 747 775	1 718 101
Bank Overdraft	5	7 320 915	13 588 146
Current Portion of Long-term Liabilities	19	1 065 281	2 478 337
Non-Current Liabilities		47 126 360	44 157 521
Long-term Liabilities	19	618 887	733 677
Employee Benefit Liabilities	20	39 477 366	37 013 607
Non-current Provisions	21	7 030 107	6 410 237
Total Liabilities		108 192 559	90 405 204
Total Assets and Liabilities		862 806 088	920 242 752
NET ASSETS		862 806 088	920 242 753
Accumulated Surplus / (Deficit)	22	862 806 088	920 242 753

Total Net Assets

862 806 088

920 242 753

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016 R	2015 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	24	26 116 879	21 905 068
Property Rates - Penalties imposed and collection charges	30	140 104	170 342
Fines	25	19 399 400	23 010 886
Licences and Permits	26	519 586	1 256 930
Government Grants and Subsidies Received	27	49 790 121	54 243 255
Revenue from Exchange Transactions			
Service Charges	27	107 287 357	98 839 622
Rental of Facilities and Equipment	28	788 198	1 176 293
Interest Earned - External Investments	29	1 201 405	950 399
Interest Earned - Outstanding Debtors	29	558 134	645 761
Other Revenue	30	2 601 180	7 251 038
Gains on Other Operations	43	481	4 551
Profit on Sale of Land	31	-	978 624
Total Revenue		208 402 845	210 432 770
EXPENDITURE			
Employee Related Costs	32	70 984 361	66 864 269
Remuneration of Councillors	33	4 401 180	4 126 459
Collection Costs	34	492 164	283 077
Depreciation and Amortisation	35	62 116 769	61 936 612
Impairment Losses	36	30 653 311	35 712 091
Repairs and Maintenance	37	11 590 011	11 238 519
Finance Costs	38	1 761 341	1 110 941
Bulk Purchases	39	54 420 223	47 048 655
Contracted Services	40	9 081 774	7 617 680
Grants and Subsidies Paid	41	247 049	225 467
General Expenses	42	19 680 554	21 835 166
Loss on Disposal of Property, Plant and Equipment	44	410 774	545 423
Total Expenditure		265 839 510	258 544 359
SURPLUS / (DEFICIT) FOR THE YEAR		(57 436 666)	(48 111 589)
Refer to Budget Statement for explanation of budget variances			

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2015				
Balance at 1 July 2014	2 252 793	956 380 598	958 633 391	958 633 391
Correction of Error (Note 46)	-	9 720 952	9 720 952	9 720 952
Restated Balance	2 252 793	966 101 550	968 354 343	968 354 343
Surplus / (Deficit) for the year	-	(48 111 589)	(48 111 589)	(48 111 589)
Balance at 30 June 2015	2 252 793	917 989 960	920 242 753	920 242 753
2016				
Restated Balance at 1 July 2015	2 252 793	917 989 960	920 242 753	920 242 753
Surplus / (Deficit) for the year	-	(57 436 666)	(57 436 666)	(57 436 666)
Balance at 30 June 2016	2 252 793	860 553 295	862 806 088	862 806 088

Details on the movement of the Funds and Reserves are set out in Note 22.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016 R	2015 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		19 105 749	23 561 393
Government Grant and Subsidies		53 627 098	50 908 667
Service Charges		94 705 766	82 396 166
Interest Received		1 759 539	1 596 161
Other Receipts		8 812 554	8 203 528
Payments			
Employee Related Costs		(68 556 293)	(61 863 068)
Remuneration of Councillors		(4 401 180)	(4 126 459)
Interest Paid		(1 761 341)	(1 110 941)
Suppliers Paid		(81 369 369)	(84 893 772)
Other Payments		(10 281)	(425 893)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48	21 912 242	14 245 782
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(11 639 215)	(14 172 439)
Purchase of Intangible Assets	10	(6 318)	(21 879)
Proceeds on Disposal of Property, Plant and Equipment	44	91 355	-
Proceeds on Sale of Land	31	-	1 186 324
Decrease / (Increase) in Long-term Receivables	12	(105)	(100)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(11 554 282)	(13 008 094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	19	1 156 171	-
Repayment of Borrowings	19	(2 684 018)	(2 776 889)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 527 847)	(2 776 889)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		8 830 114	(1 539 201)
Cash and Cash Equivalents at Beginning of Period	5	(1 306 402)	232 800
Cash and Cash Equivalents at End of Period	5	7 523 712	(1 306 402)

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
FINANCIAL POSITION											
Current Assets											
Inventories	66 894 000	-	66 894 000	-	-	66 894 000	62 921 881	-	(3 972 119)	(5.94)%	(5.94)%
Receivables from Exchange Transactions	20 584 000	(2 112 000)	18 472 000	-	-	18 472 000	46 536 877	-	28 064 877	151.93%	126.08%
Receivables from Non-exchange Transactions	10 167 000	-	10 167 000	-	-	10 167 000	13 995 354	-	3 828 354	37.65%	37.65%
Cash and Cash Equivalents	20 773 000	(5 612 000)	15 161 000	-	-	15 161 000	14 844 627	-	(316 373)	(2.09)%	(28.54)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	1 714	-	1 714	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	930 037 000	-	930 037 000	-	-	930 037 000	820 599 100	-	(109 437 900)	(11.77)%	(11.77)%
Intangible Assets	413 000	-	413 000	-	-	413 000	82 117	-	(330 883)	(80.12)%	(80.12)%
Investment Property	5 004 000	-	5 004 000	-	-	5 004 000	5 018 200	-	14 200	0.28%	0.28%
Heritage Assets	-	-	-	-	-	-	6 959 273	-	6 959 273	100.00%	100.00%
Non-current Investments	68 000	-	68 000	-	-	68 000	26 120	-	(41 880)	(61.59)%	(61.59)%
Long-term Receivables	-	-	-	-	-	-	1 369	-	1 369	100.00%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	12 015	-	12 015	100.00%	100.00%
Total Assets	1 053 940 000	(7 724 000)	1 046 216 000	-	-	1 046 216 000	970 998 647	-	(75 217 353)		
Current Liabilities											
Consumer Deposits	2 191 000	-	2 191 000	-	-	2 191 000	2 192 648	-	1 648	0.08%	0.08%
Provisions	2 097 000	-	2 097 000	-	-	2 097 000	1 489 166	-	(627 834)	(29.94)%	(29.94)%
Payables from Exchange Transactions	16 752 000	(1 470 000)	15 282 000	-	-	15 282 000	37 493 106	-	22 211 106	145.34%	123.81%
Payables from Non-exchange Transactions	-	-	-	-	-	-	1 780 812	-	1 780 812	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	4 996 476	-	4 996 476	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	4 747 775	-	4 747 775	100.00%	100.00%
Bank Overdraft	9 269 000	1 484 000	10 753 000	-	-	10 753 000	7 320 915	-	(3 432 085)	(31.92)%	(21.02)%
Current Portion of Long-term Liabilities	3 003 000	-	3 003 000	-	-	3 003 000	1 065 281	-	(1 937 719)	(64.53)%	(64.53)%
Non-Current Liabilities											
Long-term Liabilities	14 777 000	(12 429 000)	2 348 000	-	-	2 348 000	618 887	-	(1 729 113)	(73.64)%	(95.81)%
Retirement Benefit Liabilities	-	-	-	-	-	-	39 477 366	-	39 477 366	100.00%	100.00%
Non-current Provisions	52 713 000	8 410 000	61 123 000	-	-	61 123 000	7 030 107	-	(54 092 893)	(88.50)%	(86.66)%
Total Liabilities	100 802 000	(4 005 000)	96 797 000	-	-	96 797 000	108 192 559	-	11 395 559		
Total Assets and Liabilities	953 138 000	(3 719 000)	949 419 000	-	-	949 419 000	862 806 088	-	(86 612 912)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	953 138 000	(3 719 000)	949 419 000	-	-	949 419 000	862 806 088	-	(86 612 912)	(9.12)%	(9.48)%
Total Net Assets	953 138 000	(3 719 000)	949 419 000	-	-	949 419 000	862 806 088	-	(86 612 912)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Similar to the previous financial year, management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient provision for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.

Receivables from Non-exchange Transactions:

The material variance is attributed to the recognition of all fines in accordance with GRAP 23. The budgeting process has not yet been adjusted to account for this increase.

Operating Lease Receivables:

The remaining Operating Lease Asset balance is immaterial and has therefore not been budgeted for.

Intangible Assets:

Due to the amortisation expense during the year. The Municipality planned to investment in Intangible Assets (purchase) during year, which did not occur.

Heritage Assets:

The transitional provisions of GRAP 103 ended in the previous year (i.e. 30 June 2015) and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.

Non-current Investments:

The remaining Non-current Investment balance is immaterial. Management budgeted to a significant increase in the value of these assets, which did not occur.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Provisions:

An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

Payables from Exchange Transactions:

In relation to the outstanding balance at 30 June 2015, the Municipality's outstanding creditors are material higher due to Eskom being paid after yearend. This resulted in the material fluctuation

Payables from Non-exchange Transactions:

The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent MIG funding was still available which will be used for capital projects in the next financial year.

VAT Payable:

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

Bank Overdraft:

At yearend, the Municipality paid the material portion of its outstanding creditors resulting in the Cash Balance being in overdraft.

Current Portion of Long-term Liabilities:

Please refer to the explanation provided under the 'Long-term Liabilities'.

Long-term Liabilities:

The Municipality planned to obtain a new loan to finance certain capital purchases. The loan was however not obtained during the year.

Retirement Benefit Liabilities:

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

Non-current Provisions:

Although the Municipality did not budget for the Landfill Site Rehabilitation Provision, this is a requirement by the standards and was therefore included in the Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	27 503 000	-	27 503 000	-	-	27 503 000	26 116 879	-	(1 386 121)	(5.04)%	(5.04)%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	140 104	-	140 104	100.00%	100.00%
Fines	7 581 000	-	7 581 000	-	-	7 581 000	19 399 400	-	11 818 400	155.89%	155.89%
Licences and Permits	2 099 000	-	2 099 000	-	-	2 099 000	519 586	-	(1 579 414)	(75.25)%	(75.25)%
Government Grants and Subsidies Received	97 166 000	(43 167 000)	53 999 000	-	-	53 999 000	49 790 121	-	(4 208 879)	(7.79)%	(48.76)%
Revenue from Exchange Transactions											
Service Charges	108 111 000	(5 000 000)	103 111 000	-	-	103 111 000	107 287 357	-	4 176 357	4.05%	(0.76)%
Rental of Facilities and Equipment	652 000	-	652 000	-	-	652 000	788 198	-	136 198	20.89%	20.89%
Interest Earned - External Investments	715 000	-	715 000	-	-	715 000	1 201 405	-	486 405	68.03%	68.03%
Interest Earned - Outstanding Debtors	873 000	-	873 000	-	-	873 000	558 134	-	(314 866)	(36.07)%	(36.07)%
Other Income	23 434 000	800 000	24 234 000	-	-	24 234 000	2 601 180	-	(21 632 820)	(89.27)%	(88.90)%
Gains on Other Operations	-	-	-	-	-	-	461	-	461	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	130 000	-	130 000	-	-	130 000	-	-	(130 000)	(100.00)%	(100.00)%
Total Revenue	268 264 000	(47 367 000)	220 897 000	-	-	220 897 000	208 402 845	-	(12 494 155)		
Expenditure											
Employee Related Costs	66 804 000	-	66 804 000	-	-	66 804 000	70 984 361	-	4 180 361	6.26%	6.26%
Remuneration of Councillors	4 580 000	-	4 580 000	-	-	4 580 000	4 401 180	-	(178 820)	(3.90)%	(3.90)%
Collection Costs	-	-	-	-	-	-	492 164	-	492 164	100.00%	100.00%
Depreciation and Amortisation	9 248 000	-	9 248 000	-	-	9 248 000	62 116 769	-	52 868 769	571.68%	571.68%
Impairment Losses	11 429 000	(1 200 000)	10 229 000	-	-	10 229 000	30 653 311	-	20 424 311	199.67%	168.21%
Repairs and Maintenance	8 648 000	7 970 000	16 618 000	-	-	16 618 000	11 590 011	-	(5 027 989)	(30.26)%	34.02%
Finance Costs	2 556 000	1 000 000	3 556 000	-	-	3 556 000	1 761 341	-	(1 794 659)	(50.47)%	(31.09)%
Bulk Purchases	53 094 000	-	53 094 000	-	-	53 094 000	54 420 223	-	1 326 223	2.50%	2.50%
Contracted Services	9 629 000	700 000	10 329 000	-	-	10 329 000	9 081 774	-	(1 247 226)	(12.07)%	(5.88)%
Grants and Subsidies Paid	12 938 000	(1 276 000)	11 662 000	-	-	11 662 000	247 049	-	(11 414 951)	(97.88)%	(98.09)%
General Expenses	41 969 000	(12 225 000)	29 744 000	-	-	29 744 000	19 690 554	-	(10 063 446)	(33.83)%	(53.11)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	410 774	-	410 774	100.00%	100.00%
Total Expenditure	220 895 000	(5 031 000)	215 864 000	-	-	215 864 000	265 839 510	-	49 975 510		
Surplus/(Deficit)	47 369 000	(42 336 000)	5 033 000	-	-	5 033 000	(57 436 666)	-	(62 469 666)	(1241.20)%	(221.25)%
Surplus/(Deficit for the Year)	47 369 000	(42 336 000)	5 033 000	-	-	5 033 000	(57 436 666)	-	(62 469 666)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Licences and Permits:

Rental of Facilities and Equipment:

The Municipality was able to generate more than the budgeted revenue through their rentals. This is due to the market demand, which increased, together with the annual increase in the tariffs.

Interest Earned - Outstanding Debtors:

As the number of Indigents are increasing, the number of Consumers on whom interest are levied is decreasing.

Interest Earned - External Investments:

By way of Cash Management Procedures, management were able to generate more finance income through external investment than budgeted for.

Other Income:

The Municipality was not able to generate the desired revenue.

Gains on Other Operations:

Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.

Gains on Disposal of Property, Plant and Equipment:

Management budgeted for a profit on sale of asset-related items. This however to not realise due to the number of assets written-off at yearend.

Collection Costs:

Due to the debt collection not being achieved as budgeted for, the collection costs paid did not achieve the budgeted expenditure. Collection costs are furthermore budgeted for as a General Expenditure, but separately disclosed for Financial Statement

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Repairs and Maintenance:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Finance Costs:

New finance leases were incurred during the financial year (which were not originally budgeted for) resulting in the overexpenditure.

Contracted Services:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

General Expenditure:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Loss on Disposal of Property, Plant and Equipment:

Management budgeted for a profit on sale of asset-related items. This however to not realise due to the number of assets written-off at yearend.

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	159 000	(70 000)	89 000	-	-	89 000	160 953	-	71 953	80.85%	1.23%
Finance and Administration	1 897 000	(250 000)	1 647 000	-	-	1 647 000	483 659	-	(1 163 341)	(70.63)%	(74.50)%
Planning and Development	12 000	-	12 000	-	-	12 000	295 269	-	283 269	2360.57%	2360.57%
Health	-	-	-	-	-	-	177 843	-	177 843	100.00%	100.00%
Community and Social Services	307 000	(100 000)	207 000	-	-	207 000	79 081	-	(127 919)	(61.80)%	(74.24)%
Housing	-	-	-	-	-	-	-	-	-	-	-
Public Safety	88 000	-	88 000	-	-	88 000	6 673 205	-	6 585 205	7483.19%	7483.19%
Sport and Recreation	261 000	-	261 000	-	-	261 000	-	-	(261 000)	(100.00)%	(100.00)%
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	35 989 000	(33 167 000)	2 822 000	-	-	2 822 000	-	-	(2 822 000)	(100.00)%	(100.00)%
Roads and Transport	11 724 000	-	11 724 000	-	-	11 724 000	1 173 363	-	(10 550 637)	(89.99)%	(89.99)%
Water	10 180 000	(10 000 000)	180 000	-	-	180 000	2 589 439	-	2 409 439	1338.58%	(74.56)%
Electricity	6 726 000	(4 626 000)	2 100 000	-	-	2 100 000	13 596	-	(2 086 404)	(99.35)%	(99.80)%
Other	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	67 343 000	(48 213 000)	19 130 000			19 130 000	11 646 408		(7 483 592)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

The difference between the Actual and Budgeted Expenditure is due to the MIG Funds not being spend in full during the year.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2016

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	25 578 000	-	25 578 000	-	-	25 578 000	19 105 749	-	(6 472 251)	(25.30)%	(25.30)%
Grants	97 166 000	(43 167 000)	53 999 000	-	-	53 999 000	53 627 098	-	(371 902)	(0.69)%	(44.81)%
Service Charges	99 481 000	(1 650 000)	97 831 000	-	-	97 831 000	94 705 766	-	(3 125 234)	(3.19)%	(4.80)%
Interest Received	715 000	-	715 000	-	-	715 000	1 759 539	-	1 044 539	146.09%	146.09%
Other Receipts	32 048 000	800 000	32 848 000	-	-	32 848 000	8 812 554	-	(24 035 446)	(73.17)%	(72.50)%
Employee Related Costs	(66 804 000)	-	(66 804 000)	-	-	(66 804 000)	(68 556 293)	-	(1 752 293)	2.62%	2.62%
Remuneration of Councillors	(4 580 000)	-	(4 580 000)	-	-	(4 580 000)	(4 401 180)	-	178 820	(3.90)%	(3.90)%
Interest Paid	(2 556 000)	(1 000 000)	(3 556 000)	-	-	(3 556 000)	(1 761 341)	-	1 794 659	(50.47)%	(31.09)%
Suppliers Paid	(125 787 000)	15 306 000	(110 481 000)	-	-	(110 481 000)	(81 369 369)	-	29 111 631	(26.35)%	(35.31)%
Other Payments	-	-	-	-	-	-	(10 281)	-	(10 281)	100.00%	100.00%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(62 298 000)	43 177 000	(19 121 000)	-	-	(19 121 000)	(11 645 533)	-	7 475 468	(39.10)%	(81.31)%
Proceeds on Disposal of Property, Plant and Equipment	124 000	-	124 000	-	-	124 000	-	-	(124 000)	(100.00)%	(100.00)%
Decrease / (Increase) in Long-term Receivables	2 800 000	(2 770 000)	30 000	-	-	30 000	(105)	-	(30 105)	(100.35)%	(100.00)%
Cash Flows from/(used in) Financing Activities											
New Loans raised	5 046 000	(5 046 000)	-	-	-	-	1 156 171	-	1 156 171	100.00%	(77.09)%
Loans repaid	(4 084 000)	3 056 000	(1 028 000)	-	-	(1 028 000)	(2 684 018)	-	(1 656 018)	161.09%	(34.26)%
Increase / (Decrease) in Consumer Deposits	135 000	-	135 000	-	-	135 000	-	-	(135 000)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(3 016 000)	8 706 000	5 690 000	-	-	5 690 000	8 738 759	-	3 048 759		

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Management implemented cost saving procedures, resulting in less expenditure incurred (see Contracted Services, Repairs and Maintenance and General Expenditure) and more funds being generated.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original	Budget	Final	Shifting	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome
	Total Budget R	Adjustments R	Adjustments Budget R	of Funds R	R	Budget R	Outcome R	Expenditure R	R	as % of Final Budget R	as % of Original Budget R
FINANCIAL POSITION											
Current Assets											
Inventories	45 899 000	-	45 899 000	-	-	45 899 000	62 962 514	-	17 063 514	37.18%	37.18%
Receivables from Exchange Transactions	9 171 000	-	9 171 000	-	-	9 171 000	31 918 169	-	22 747 169	248.03%	248.03%
Receivables from Non-exchange Transactions	9 243 000	-	9 243 000	-	-	9 243 000	19 797 403	-	10 554 403	114.19%	114.19%
Cash and Cash Equivalents	14 632 000	-	14 632 000	-	-	14 632 000	12 281 744	-	(2 350 256)	(16.06)%	(16.06)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	10 883	-	10 883	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	942 332 000	-	942 332 000	-	-	942 332 000	871 437 945	-	(70 894 055)	(7.52)%	(7.52)%
Intangible Assets	1 283 000	-	1 283 000	-	-	1 283 000	235 393	-	(1 047 607)	(81.65)%	(81.65)%
Investment Property	4 272 000	-	4 272 000	-	-	4 272 000	5 004 000	-	732 000	17.13%	17.13%
Heritage Assets	-	-	-	-	-	-	6 959 273	-	6 959 273	100.00%	100.00%
Non-current Investments	-	-	-	-	-	-	25 639	-	25 639	100.00%	100.00%
Long-term Receivables	168 000	-	168 000	-	-	168 000	1 264	-	(166 736)	(99.25)%	(99.25)%
Operating Lease Receivables	-	-	-	-	-	-	13 729	-	13 729	100.00%	100.00%
Total Assets	1 027 000 000	-	1 027 000 000	-	-	1 027 000 000	1 010 647 957	-	(16 352 043)		
Current Liabilities											
Consumer Deposits	1 932 000	-	1 932 000	-	-	1 932 000	2 111 697	-	179 697	9.30%	9.30%
Provisions	2 017 000	-	2 017 000	-	-	2 017 000	1 346 184	-	(670 816)	(33.26)%	(33.26)%
Payables from Exchange Transactions	11 306 000	-	11 306 000	-	-	11 306 000	19 635 116	-	8 329 116	73.67%	73.67%
Payables from Non-exchange Transactions	-	-	-	-	-	-	1 609 422	-	1 609 422	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3 760 679	-	3 760 679	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	1 718 101	-	1 718 101	100.00%	100.00%
Bank Overdraft	1 026 000	-	1 026 000	-	-	1 026 000	13 588 146	-	12 562 146	1224.38%	1224.38%
Current Portion of Long-term Liabilities	1 374 000	-	1 374 000	-	-	1 374 000	2 478 337	-	1 104 337	80.37%	80.37%
Non-Current Liabilities											
Long-term Liabilities	11 176 000	-	11 176 000	-	-	11 176 000	733 677	-	(10 442 323)	(93.44)%	(93.44)%
Retirement Benefit Liabilities	34 194 000	-	34 194 000	-	-	34 194 000	37 013 607	-	2 819 607	8.25%	8.25%
Non-current Provisions	-	-	-	-	-	-	6 410 237	-	6 410 237	100.00%	100.00%
Total Liabilities	63 025 000	-	63 025 000	-	-	63 025 000	90 405 204	-	27 380 204		
Total Assets and Liabilities	963 975 000	-	963 975 000	-	-	963 975 000	920 242 752	-	(43 732 248)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	963 975 000	-	963 975 000	-	-	963 975 000	920 242 753	-	(43 732 247)	(4.54)%	(4.54)%
Total Net Assets	963 975 000	-	963 975 000	-	-	963 975 000	920 242 753	-	(43 732 247)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

More stores were procured and water stock levels increased during the financial year. In addition to this, management did a full land audit in the 2014 financial year between the financial records and the title deeds and accounted for all land parcels available for sale, resulting in a significant increase. This audit was only completed after the submission of the budget.

Receivables from Exchange Transactions:

Similar to the previous financial year, management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient provision for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.

Receivables from Non-exchange Transactions:

The material variance is attributed to the recognition of all fines in accordance with GRAP 23. Previously, the Municipality accounted for the Fines Revenue on a "cash basis". But due to the qualification received, management has accounted for these in accordance with the applicable Accounting Standards.

VAT Receivable:

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

Cash and Cash Equivalents:

The expected cash balance was not achieved due to the consumer debtors not being recovered as planned.

Operating Lease Receivables:

The remaining Operating Lease Asset balance is immaterial and has therefore not been budgeted for.

Intangible Assets:

Due to the amortisation expense during the year. The Municipality planned to investment in Intangible Assets (purchase) during year, which did not occur.

Investment Property:

Management budgeted for an decrease in the value of the property, which did not occur during the year.

Heritage Assets:

The transitional provisions of GRAP 103 ended in the current year (i.e. 30 June 2015) and the Heritage Assets were valued and recorded in accordance with GRAP 3.

Non-current Investments:

The remaining Non-current Investment balance is immaterial and has therefore not been budgeted for.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Provisions:

An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

Payables from Exchange Transactions:

The Unknown Deposits increased significantly during year. Although the Municipality has procedures in place to identify these deposits and allocate them to the correct items, very few of the items can be traced based on the information provided. This, together with the fact that not all creditors were paid in full at yearend, resulted in the variance.

Payables from Non-exchange Transactions:

The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent MIG funding was still available which will be used for capital projects in the next financial year.

VAT Payable:

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

Bank Overdraft:

At yearend, the Municipality paid the Eskom bulk electricity account which had a significant impact on the primary bank account. There are however sufficient funds to ensure the Municipality can cover this debt and continue to provide services and pay other creditors. Refer to the Cash and Cash Equivalents increase recorded.

Current Portion of Long-term Liabilities:

Please refer to the explanation provided under the 'Long-term Liabilities'.

Long-term Liabilities:

The Municipality planned to obtain a new loan to finance certain capital purchases. The loan was however not obtained during the year.

Retirement Benefit Liabilities:

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

Non-current Provisions:

Although the Municipality did not budget for the Landfill Site Rehabilitation Provision, this is a requirement by the standards and was therefore included in the Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	23 785 000	-	23 785 000	-	-	23 785 000	21 905 068	-	(1 879 932)	(7.90)%	(7.90)%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	170 342	-	170 342	100.00%	100.00%
Fines	6 624 000	-	6 624 000	-	-	6 624 000	23 010 866	-	16 386 866	247.30%	247.30%
Licences and Permits	1 874 000	-	1 874 000	-	-	1 874 000	1 256 930	-	(617 070)	(32.93)%	(32.93)%
Government Grants and Subsidies Received	68 881 000	(16 540 000)	52 341 000	-	-	52 341 000	54 243 255	-	1 902 255	3.63%	(21.25)%
Revenue from Exchange Transactions											
Service Charges	100 511 000	(4 147 000)	96 364 000	-	-	96 364 000	98 839 622	-	2 475 622	2.57%	(1.66)%
Rental of Facilities and Equipment	755 000	(153 000)	602 000	-	-	602 000	1 176 293	-	574 293	95.40%	55.80%
Interest Earned - External Investments	940 000	-	940 000	-	-	940 000	950 399	-	10 399	1.11%	1.11%
Interest Earned - Outstanding Debtors	819 000	-	819 000	-	-	819 000	645 761	-	(173 239)	(21.15)%	(21.15)%
Other Income	25 131 000	(6 000 000)	19 131 000	-	-	19 131 000	7 251 038	-	(11 879 962)	(62.10)%	(71.15)%
Gains on Other Operations	-	-	-	-	-	-	4 551	-	4 551	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	120 000	-	120 000	-	-	120 000	-	-	(120 000)	(100.00)%	(100.00)%
Profit on Sale of Land	120 000	-	120 000	-	-	120 000	978 624	-	858 624	715.52%	715.52%
Total Revenue	229 560 000	(26 840 000)	202 720 000	-	-	202 720 000	210 432 770	-	7 712 770		
Expenditure											
Employee Related Costs	62 980 000	(15 000)	62 965 000	-	-	62 965 000	66 864 269	-	3 899 269	6.19%	6.17%
Remuneration of Councillors	4 308 000	(47 000)	4 261 000	-	-	4 261 000	4 126 459	-	(134 541)	(3.16)%	(4.21)%
Collection Costs	-	-	-	-	-	-	283 077	-	283 077	(100.00)%	(100.00)%
Depreciation and Amortisation	8 681 000	-	8 681 000	-	-	8 681 000	61 936 612	-	53 255 612	613.47%	613.47%
Impairment Losses	10 827 000	(324 000)	10 503 000	-	-	10 503 000	35 712 091	-	25 209 091	240.02%	229.84%
Repairs and Maintenance	8 350 000	-	8 350 000	-	-	8 350 000	11 238 519	-	2 888 519	34.59%	34.59%
Finance Costs	1 700 000	830 000	2 530 000	-	-	2 530 000	1 110 941	-	(1 419 059)	(56.09)%	(34.65)%
Bulk Purchases	47 529 000	-	47 529 000	-	-	47 529 000	47 048 655	-	(480 345)	(1.01)%	(1.01)%
Contracted Services	8 830 000	(592 000)	8 238 000	-	-	8 238 000	7 617 680	-	(620 320)	(7.53)%	(13.73)%
Grants and Subsidies Paid	13 669 000	-	13 669 000	-	-	13 669 000	225 467	-	(13 443 534)	(98.35)%	(98.35)%
General Expenses	34 793 000	485 000	35 278 000	-	-	35 278 000	21 835 166	-	(13 442 834)	(38.11)%	(37.24)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	545 423	-	545 423	100.00%	100.00%
Total Expenditure	201 667 000	337 000	202 004 000	-	-	202 004 000	258 544 359	-	56 540 359		
Surplus/(Deficit)	27 773 000	(27 177 000)	716 000	-	-	716 000	(48 111 589)	-	(48 827 589)	(6819.50)%	(273.23)%
Surplus/(Deficit for the Year)	27 773 000	(27 177 000)	716 000	-	-	716 000	(48 111 589)	-	(48 827 589)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Rental of Facilities and Equipment:

The Municipality was able to generate more than the budgeted revenue through their rentals. This is due to the market demand, which increased, together with the annual increase in the tariffs.

Interest Earned (all financial statement line items)

As the number of Indigents are increasing, the number of Consumers on whom interest are levied is decreasing.

Other Income:

The Municipality was not able to generate the desired revenue.

Gains on Other Operations:

Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.

Gains on Disposal of Property, Plant and Equipment:

No Property, Plant and Equipment was disposed of during the year.

Profit on Sale of Land:

The Municipality was able to sell land at a reasonable profit during the year, which resulted in this unforeseen profit being recorded.

Collection Costs:

The Municipality appointed a new service provider to assist with the recovering of outstanding debt. This appointment was made during the year and did not form part of management's initial plans.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment Losses:

The provision for doubtful debt significantly increased during the year, due to the weaker payment (receipt) ratios calculated on each individual debtor. Additional to this, management recognised all fines issued during the year and this debtor was impaired.

Grants and Subsidies Paid:

The budgeted figure includes all capital expenditure, which has been reclassified to the correct financial statement line items.

Loss on Disposal of Property, Plant and Equipment:

A number of assets could not be verified during the asset verification, which resulted in these assets being written-off.

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	153 000	-	153 000	-	-	153 000	-	-	(153 000)	(100.00)%	(100.00)%
Finance and Administration	1 317 000	-	1 317 000	-	-	1 317 000	483 659	-	(833 341)	(63.28)%	(63.28)%
Planning and Development	370 000	-	370 000	-	-	370 000	295 269	-	(74 732)	(20.20)%	(20.20)%
Health	12 000	-	12 000	-	-	12 000	177 843	-	165 843	1382.02%	1382.02%
Community and Social Services	-	-	-	-	-	-	79 081	-	79 081	100.00%	100.00%
Housing	295 000	-	295 000	-	-	295 000	-	-	(295 000)	(100.00)%	(100.00)%
Public Safety	-	-	-	-	-	-	6 673 205	-	6 673 205	100.00%	100.00%
Sport and Recreation	85 000	-	85 000	-	-	85 000	-	-	(85 000)	(100.00)%	(100.00)%
Environmental Protection	251 000	-	251 000	-	-	251 000	-	-	(251 000)	(100.00)%	(100.00)%
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Roads and Transport	4 980 000	-	4 980 000	-	-	4 980 000	1 173 363	-	(3 806 637)	(76.44)%	(76.44)%
Water	14 716 000	-	14 716 000	-	-	14 716 000	2 589 439	-	(12 126 561)	(82.40)%	(82.40)%
Electricity	17 110 000	(16 690 000)	420 000	-	-	420 000	13 596	-	(406 404)	(96.76)%	(99.92)%
Other	1 300 000	-	1 300 000	-	-	1 300 000	-	-	(1 300 000)	(100.00)%	(100.00)%
Total Capital Expenditure	40 589 000	(16 690 000)	23 899 000	-	-	23 899 000	11 485 455	-	(12 413 545)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

The Municipality was not able to obtain the required R6 000 000 loan during the year. This resulted in the capital budget not being met as all acquisitions could not be financed.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

2015

Description	Original	Budget	Final	Shifting	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome
	Total	Adjustments	Adjustments	of		Budget	Outcome	Expenditure		as % of	as % of
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	153 090 000	(10 644 000)	142 446 000	-	-	142 446 000	23 561 393	-	(118 884 607)	(83.46)%	(84.61)%
Grants	68 881 000	(16 540 000)	52 341 000	-	-	52 341 000	50 908 667	-	(1 432 333)	(2.74)%	(26.09)%
Service Charges	-	-	-	-	-	-	82 396 166	-	82 396 166	100.00%	100.00%
Interest Received	940 000	-	940 000	-	-	940 000	1 596 161	-	656 161	69.80%	69.80%
Other Receipts	-	-	-	-	-	-	8 203 528	-	8 203 528	100.00%	100.00%
Employee Related Costs	(163 870 000)	493 000	(163 377 000)	-	-	(163 377 000)	(61 863 068)	-	101 513 932	(62.13)%	(62.25)%
Remuneration of Councillors	-	-	-	-	-	-	(4 126 459)	-	(4 126 459)	(100.00)%	(100.00)%
Interest Paid	(1 700 000)	(830 000)	(2 530 000)	-	-	(2 530 000)	(1 110 941)	-	1 419 059	(56.09)%	(34.65)%
Suppliers Paid	-	-	-	-	-	-	(84 893 772)	-	(84 893 772)	(100.00)%	(100.00)%
Other Payments	(13 669 000)	-	(13 669 000)	-	-	(13 669 000)	(425 893)	-	13 243 107	(96.88)%	(96.88)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(40 589 000)	16 690 000	(23 899 000)	-	-	(23 899 000)	(14 172 439)	-	9 726 561	(40.70)%	(65.08)%
Purchase of Intangible Assets	120 000	-	120 000	-	-	120 000	(21 879)	-	(141 879)	(118.23)%	(118.23)%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-
Profit on Sale of Land	-	-	-	-	-	-	1 186 324	-	1 186 324	100.00%	100.00%
Cash Flows from/(used in) Financing Activities											
New Loans raised	6 000 000	-	6 000 000	-	-	6 000 000	-	-	(6 000 000)	(100.00)%	(100.00)%
Loans repaid	(3 384 000)	-	(3 384 000)	-	-	(3 384 000)	-	-	3 384 000	(100.00)%	(100.00)%
Increase / (Decrease) in Consumer Deposits	135 000	-	135 000	-	-	135 000	-	-	(135 000)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	5 954 000	(10 831 000)	(4 877 000)	-	-	(4 877 000)	1 237 788	-	6 114 788		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
The Municipality was unable to ensure that less money is spent than budgeted for through implemented cost savings methods.											

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016	2015
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(57 436 666)	(48 111 589)
Revenue from Non-exchange Transactions		
Property Rates	1 386 121	1 879 932
Property Rates - Penalties imposed and collection charges	(140 104)	(170 342)
Fines	(11 818 400)	(16 366 886)
Licences and Permits	1 579 414	617 070
Government Grants and Subsidies Received	4 208 879	(1 902 255)
Revenue from Exchange Transactions		
Service Charges	(4 176 357)	(2 475 622)
Rental of Facilities and Equipment	(136 198)	(574 293)
Interest Earned - External Investments	(486 405)	(10 399)
Interest Earned - Outstanding Debtors	314 866	173 239
Other Revenue	21 632 820	11 879 962
Gains on Other Operations	(481)	(4 551)
Gains on Disposal of Property, Plant and Equipment	130 000	120 000
Profit on Sale of Land	-	(858 624)
Expenditure		
Employee Related Costs	4 180 361	3 899 269
Remuneration of Councillors	(178 820)	(134 541)
Collection Costs	492 164	283 077
Depreciation and Amortisation	52 868 769	53 255 612
Impairment Losses	20 424 311	25 209 091
Repairs and Maintenance	(5 027 989)	2 888 519
Finance Costs	(1 794 659)	(1 419 059)
Bulk Purchases	1 326 223	(480 345)
Contracted Services	(1 247 226)	(620 320)
Grants and Subsidies Paid	(11 414 951)	(13 443 534)
General Expenses	(10 063 446)	(13 442 834)
Loss on Disposal of Property, Plant and Equipment	410 774	545 423
Net Surplus/Deficit per Approved Budget	5 033 000	716 000

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 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), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

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

For the years ended 30 June 2016 and 30 June 2015, the Municipality has adopted the accounting framework as set out in point 1 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) if it is required by a Standard of GRAP; or
- (b) when it 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.

1.2 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 reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 and estimations that 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:

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 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, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at 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 GRAP 104: Financial Instruments 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 creditworthiness. 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 is disclosed in note 5 to the AFS.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property, heritage assets and amortises its 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 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 property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

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, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, 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 GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial Statements.

1.2.8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2013: 6%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 5.5% (2013: 5.5%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 5.5% (2013: 5.5%).

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2.9 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 32 Service Concession Arrangement Grantor

GRAP 108 Statutory Receivables

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

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.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP 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 is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Related Parties - GRAP 20

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.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1.1 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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 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 property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service 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 are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition property, plant and equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent 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.

An increase in the carrying amount of property, plant and equipment 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 the Statement of Financial Performance.

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

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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 cost 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 available for use, unless stated otherwise.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Years		Years
Infrastructure		Buildings	30 - 100
Roads and Paving	45 - 50		
Electricity	45 - 50	Other	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 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. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

3.8 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 the Statement of Financial Performance 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

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

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 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.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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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.

4.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service 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. Heritage assets are not depreciated.

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5. INTANGIBLE ASSETS

5.1 Initial Recognition

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 as it is 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:

5. INTANGIBLE ASSETS (continued)

- 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 as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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. The cost of an intangible asset 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. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are 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 31, 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 straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), 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

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

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

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

The cost of self-constructed investment property is the cost at date of completion.

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. INVESTMENT PROPERTY (continued)

- 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);
- 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; and
- Property that is being constructed or developed for future use as investment property.

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. 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 the Statement of Financial Performance for the period in which it arises.

6.3 Derecognition

An 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 are 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.

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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of 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 the Statement of Financial Performance.

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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. IMPAIRMENT OF ASSETS (continued)

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.

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

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 the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) 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 the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Initial recognition

8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost 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. Financial asset at amortised cost 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.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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8. FINANCIAL INSTRUMENTS (continued)

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 GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

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 with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

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

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

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:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

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Financial liabilities that are measured at fair value 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).

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:

Financial asset at amortised cost 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

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

8.3.2 Financial Liabilities:

Financial liabilities measured at fair value

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

Financial Liabilities measured 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

Prepayments are carried at cost less any accumulated impairment losses.

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8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, 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 GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs 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 GRAP 104 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.

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.

Impairment of Financial Assets measured at cost

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

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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.

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)

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held for sale, 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 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.

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9. INVENTORIES (continued)

9.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods 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). The cost is determined using the (FIFO / weighted average) cost of commodities.

Water inventory

Water is regarded 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 cannot 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, nett of trade discounts and rebates.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO 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 measurement of such inventory at the lower of cost and net realisable value 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. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

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Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 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.

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11. REVENUE RECOGNITION (continued)

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.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to 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.

11.2.2 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.

11.2.3 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.

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11.2.4 Tariff Charges

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

11.2.5 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.

11.2.6 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.

11.2.7 Rentals

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

11.2.8 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.

11.3 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.

11. REVENUE RECOGNITION (continued)

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11.3.1 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.

11.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

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. 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.

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

11.3.4 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, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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12. 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.

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 fulfill 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.

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13. EMPLOYEE BENEFITS

13.1 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.

13.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 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.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13.3 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 annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

13.4 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.

13.5 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.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

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14. 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.

14.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets 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, equipment or intangibles. 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 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.

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14.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment 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 installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14.3 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 fulfillment 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.

15. 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 in accordance with the requirements of GRAP 5. 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. 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.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

18. 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, 2003 (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.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Public Office Bearers Act, 1998 (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.

20. 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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. 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. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

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 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. 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. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed previously.

23. 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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24. COMPARATIVE INFORMATION

24.1 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.

24.2 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 under spending 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. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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1. GENERAL INFORMATION

Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, 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. INVENTORIES

Consumable Stores	355 639	390 655
Property Stock	62 544 554	62 551 954
Water - at cost	21 688	19 905
Total Inventories	62 921 881	62 962 514

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R0.9200 per kilolitre (2015: R0.8361 per kilolitre).

No inventory was written off during the year. The cost of Inventories recognised as an expense during the period was R606 040 (2015: R308 212).

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	107 167 623	(60 923 408)	46 244 215
Electricity	21 422 473	(9 375 405)	12 047 068
Refuse	13 002 173	(8 751 329)	4 250 844
Sewerage	25 343 881	(15 853 043)	9 490 838
Water	47 399 095	(26 943 630)	20 455 465
Other Receivables	4 146 462	(3 853 800)	292 662
Total Receivables from Exchange Transactions	111 314 085	(64 777 207)	46 536 877
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	90 361 203	(58 611 672)	31 749 531
Electricity	19 115 439	(9 309 513)	9 805 926
Refuse	11 144 533	(7 618 761)	3 525 772
Sewerage	21 898 513	(15 301 184)	6 597 328
Water	38 202 719	(26 382 214)	11 820 505
Other Receivables	3 407 997	(3 239 359)	168 638
Total Receivables from Exchange Transactions	93 769 200	(61 851 031)	31 918 169

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that 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 Receivables.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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At 30 June 2016, the Municipality is owed R1 434 194 (30 June 2015: R3 916 652) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	6 204 436	1 485 906	652 823	13 079 308	21 422 473
Less: Provision for Impairment	(1 023 866)	(943 337)	(228 044)	(7 180 158)	(9 375 405)
Net Balances	5 180 570	542 569	424 779	5 899 150	12 047 068
Refuse:					
Gross Balances	470 742	249 571	217 409	12 064 451	13 002 173
Less: Provision for Impairment	(167 812)	(329 652)	(160 401)	(8 093 465)	(8 751 329)
Net Balances	302 931	(80 081)	57 008	3 970 986	4 250 844
Sewerage:					
Gross Balances	841 554	483 681	416 870	23 601 777	25 343 881
Less: Provision for Impairment	(281 134)	(556 331)	(265 979)	(14 749 599)	(15 853 043)
Net Balances	560 420	(72 650)	150 891	8 852 178	9 490 838
Water:					
Gross Balances	2 791 770	1 079 071	1 133 912	42 394 342	47 399 095
Less: Provision for Impairment	(720 275)	(1 223 621)	(657 254)	(24 342 481)	(26 943 630)
Net Balances	2 071 495	(144 550)	476 659	18 051 861	20 455 465
Other Receivables:					
Gross Balances	135 845	83 079	84 057	3 843 480	4 146 462
Less: Provision for Impairment	(58 931)	(108 669)	(54 273)	(3 631 926)	(3 853 800)
Net Balances	76 914	(25 590)	29 784	211 554	292 662

As at 30 June Receivables of R38 344 548 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3 381 309	2 505 070	94 983 358	100 869 737
Less: Provision for Impairment	(3 161 610)	(1 365 950)	(57 997 630)	(62 525 189)
Net Balances	219 699	1 139 121	36 985 728	38 344 548

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5 014 131	731 327	495 286	12 874 696	19 115 439
Less: Provision for Impairment	(521 681)	(306 757)	(232 511)	(8 248 563)	(9 309 513)
Net Balances	4 492 449	424 569	262 775	4 626 133	9 805 926
Refuse:					
Gross Balances	462 260	339 047	262 777	10 080 448	11 144 533
Less: Provision for Impairment	(206 078)	(214 075)	(177 331)	(7 021 277)	(7 618 761)
Net Balances	256 182	124 973	85 446	3 059 171	3 525 772

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	850 334	514 011	478 626	20 055 542	21 898 513
Less: Provision for Impairment	(369 954)	(345 574)	(337 544)	(14 248 113)	(15 301 184)
Net Balances	480 380	168 437	141 083	5 807 430	6 597 328
Water:					
Gross Balances	2 664 198	1 007 316	1 014 235	33 516 969	38 202 719
Less: Provision for Impairment	(759 376)	(690 727)	(682 571)	(24 249 539)	(26 382 214)
Net Balances	1 904 821	316 589	331 664	9 267 430	11 820 505
Other Receivables:					
Gross Balances	106 843	60 068	54 168	3 186 919	3 407 997
Less: Provision for Impairment	(55 988)	(52 247)	(51 231)	(3 079 893)	(3 239 359)
Net Balances	50 854	7 821	2 937	107 026	168 638

As at 30 June Receivables of R24 733 483 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2 651 768	2 305 092	79 714 575	84 671 435
Less: Provision for Impairment	(1 609 380)	(1 481 187)	(56 847 385)	(59 937 952)
Net Balances	1 042 389	823 905	22 867 190	24 733 483

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	7 433 117	2 543 013	417 510	50 708
<u>Past Due:</u>				
31 - 60 Days	2 888 191	276 227	183 334	33 556
61 - 90 Days	2 103 235	286 286	115 433	117
+ 90 Days	91 888 716	2 372 507	717 917	4 218
Sub-total	104 313 258	5 478 034	1 434 194	88 599
Less: Provision for Impairment	(62 721 742)	(2 010 158)	-	(45 308)
Total Trade Receivables by Customer Classification	41 591 516	3 467 876	1 434 194	43 291
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	6 355 426	1 422 961	1 319 379	-
<u>Past Due:</u>				
31 - 60 Days	2 255 330	230 317	166 122	-
61 - 90 Days	2 050 152	120 196	134 744	-
+ 90 Days	75 445 055	1 973 112	2 296 408	-
Sub-total	86 105 962	3 746 587	3 916 652	-
Less: Provision for Impairment	(60 066 504)	(1 784 526)	-	-
Total Trade Receivables by Customer Classification	26 039 457	1 962 060	3 916 652	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(61 851 031)	(45 320 780)
Impairment Losses recognised	(2 926 176)	(16 530 251)
Impairment Losses reversed	-	-
Balance at end of year	(64 777 207)	(61 851 031)

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R38 344 548 (2015: R24 733 483) 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 13), which are not covering the total outstanding debt. The average age of these receivables is 141 days (2015: 141 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, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	2 252 018	1 913 079
<i>Past Due:</i>		
31 - 60 Days	3 161 610	1 609 380
61 - 90 Days	1 365 950	1 481 187
+ 90 Days	57 997 630	56 847 385
Total	64 777 207	61 851 031

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	24 026 693	(18 596 892)	5 429 801
Payments made in Advance	214 386	-	214 386
Sundry Deposits	985 250	-	985 250
Sundry Debtors	76 314 509	(68 948 592)	7 365 918
Total Receivables from Non-exchange Transactions	101 540 838	(87 545 484)	13 995 354
As at 30 June 2015			
Assessment Rates Debtors	16 914 817	(10 499 979)	6 414 837
Payments made in Advance	-	-	-
Sundry Deposits	985 250	-	985 250
Sundry Debtors	61 365 976	(48 968 660)	12 397 316
Total Receivables from Non-exchange Transactions	79 266 042	(59 468 639)	19 797 403

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2015: R900 000) in respect of a deposit paid to Eskom.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The average credit period for 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 Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the 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 Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	791 279	362 545	313 278	22 559 590	24 026 693
Less: Provision for Impairment	(101 542)	(396 222)	(172 625)	(17 926 503)	(18 596 892)
Net Balances	689 738	(33 677)	140 653	4 633 087	5 429 801
Payments made in Advance:					
Gross Balances	214 386	-	-	-	214 386
Less: Provision for Impairment	-	-	-	-	-
Net Balances	214 386	-	-	-	214 386
Sundry Deposits:					
Gross Balances	-	-	-	985 250	985 250
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	985 250	985 250
Sundry Debtors:					
Gross Balances	91 075	1 187 115	487 345	74 548 974	76 314 509
Less: Provision for Impairment	(34 864)	(906 642)	(1 385 868)	(66 621 218)	(68 948 592)
Net Balances	56 211	280 473	(898 523)	7 927 756	7 365 918

As at 30 June Receivables of R24 961 817 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 549 660	800 623	98 093 814	100 444 098
Less: Provision for Impairment	(1 302 864)	(1 558 493)	(84 547 721)	(87 409 078)
Net Balances	246 797	(757 870)	13 546 093	13 035 020

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	856 868	378 255	315 213	15 364 480	16 914 817
Less: Provision for Impairment	(96 383)	(152 775)	(139 786)	(10 111 035)	(10 499 979)
Net Balances	760 486	225 480	175 428	5 253 445	6 414 837
Payments made in Advance:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sundry Deposits:					
Gross Balances	-	-	-	985 250	985 250
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	985 250	985 250
Sundry Debtors:					
Gross Balances	2 956 720	810 490	2 416 450	55 182 316	61 365 976
Less: Provision for Impairment	-	-	-	(48 968 660)	(48 968 660)
Net Balances	2 956 720	810 490	2 416 450	6 213 655	12 397 316

As at 30 June Receivables of R16 080 197 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 188 745	2 731 663	71 532 046	75 452 454
Less: Provision for Impairment	(152 775)	(139 786)	(59 079 696)	(59 372 257)
Net Balances	1 035 970	2 591 878	12 452 350	16 080 197

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 2016				
<u>Current:</u>				
0 - 30 days	763 028	5 822	73 604	(51 175)
<u>Past Due:</u>				
31 - 60 Days	281 636	13 895	67 014	-
61 - 90 Days	237 863	11 180	63 235	1 000
+ 90 Days	8 571 059	573 185	2 020 851	11 394 495
Sub-total	9 853 586	604 083	2 224 704	11 344 320
Less: Provision for Impairment	(7 338 561)	(275 020)	-	(10 983 312)
Total Rates Debtors by Customer Classification	2 515 025	329 063	2 224 704	361 009

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	680 140	72 963	103 765	-
<u>Past Due:</u>				
31 - 60 Days	257 551	14 397	106 307	-
61 - 90 Days	207 904	11 148	96 161	-
+ 90 Days	13 426 101	807 033	1 131 346	-
Sub-total	14 571 696	905 541	1 437 579	-
Less: Provision for Impairment	(10 024 862)	(475 117)	-	-
Total Rates Debtors by Customer Classification	4 546 834	430 424	1 437 579	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(59 468 640)	(38 906 766)
Impairment Losses recognised	(28 076 844)	(20 561 874)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	(87 545 484)	(59 468 640)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange 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.</p> <p>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, which are not covering the total outstanding debt and vacant property</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit</p>		
5. CASH AND CASH EQUIVALENTS		
Current Investments	14 635 583	12 186 030
Bank Accounts	209 044	95 714
Bank Overdraft	(7 320 915)	(13 588 146)
Total Bank, Cash and Cash Equivalents	<u>7 523 712</u>	<u>(1 306 402)</u>
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		
5.1 Current Investment Deposits		
Term Deposits	12 171 836	11 284 644
Call Deposits	2 463 746	901 386
Total Current Investment Deposits	<u>14 635 583</u>	<u>12 186 030</u>
<p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p>		
Deposits attributable to Unspent Conditional Grants	4 996 476	3 670 679
Total Deposits attributable to Commitments of the Municipality	<u>4 996 476</u>	<u>3 670 679</u>
<p>Deposits of R4 996 476 (2015: R3 670 679) are ring-fenced and attributable to Unspent Conditional Grants.</p>		
5.2 Bank Accounts		
Cash in Bank	206 444	92 914
Bank Overdraft	(7 320 915)	(13 588 146)
Total Bank Accounts	<u>(7 114 471)</u>	<u>(13 495 232)</u>
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
<p><i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081</i></p>		
Cash book balance at beginning of year	(13 588 146)	(11 977 403)
Cash book balance at end of year	<u>(7 320 915)</u>	<u>(13 588 146)</u>
Bank statement balance at beginning of year	1 591 721	4 984 393
Bank statement balance at end of year	<u>2 573 919</u>	<u>1 591 721</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
5. CASH AND CASH EQUIVALENTS (continued)		
Current Accounts		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	20	44 415
Cash book balance at end of year	<u>51 495</u>	<u>20</u>
Bank statement balance at beginning of year	20	44 415
Bank statement balance at end of year	<u>51 495</u>	<u>20</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	19 502	265 684
Cash book balance at end of year	<u>86 773</u>	<u>19 502</u>
Bank statement balance at beginning of year	19 502	265 684
Bank statement balance at end of year	<u>86 773</u>	<u>19 502</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	73 392	603 910
Cash book balance at end of year	<u>68 176</u>	<u>73 392</u>
Bank statement balance at beginning of year	39 407	603 910
Bank statement balance at end of year	<u>426 715</u>	<u>39 407</u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	11 269 790	10 507 963
Cash book balance at end of year	<u>12 155 762</u>	<u>11 269 790</u>
Bank statement balance at beginning of year	11 269 790	10 507 963
Bank statement balance at end of year	<u>12 155 762</u>	<u>11 269 790</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	14 854	14 321
Cash book balance at end of year	<u>16 074</u>	<u>14 854</u>
Bank statement balance at beginning of year	14 854	14 321
Bank statement balance at end of year	<u>16 074</u>	<u>14 854</u>
Call Deposits		
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001</i>		
Cash book balance at beginning of year	-	6 069
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	6 069
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2 474	2 582
Cash book balance at end of year	<u>2 487</u>	<u>2 474</u>
Bank statement balance at beginning of year	2 474	2 582
Bank statement balance at end of year	<u>2 487</u>	<u>2 474</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	892 471	730 274
Cash book balance at end of year	<u>1 425 470</u>	<u>892 471</u>
Bank statement balance at beginning of year	892 471	730 274
Bank statement balance at end of year	<u>1 425 470</u>	<u>892 471</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	6 392	6 282
Cash book balance at end of year	<u>1 035 740</u>	<u>6 392</u>
Bank statement balance at beginning of year	6 392	6 282
Bank statement balance at end of year	<u>1 035 740</u>	<u>6 392</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
5. CASH AND CASH EQUIVALENTS (continued)		
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	27 304
Cash book balance at end of year	50	50
Bank statement balance at beginning of year	50	27 304
Bank statement balance at end of year	50	50
5.3 Cash and Cash Equivalents		
Cash Floats and Advances	2 600	2 800
Total Cash on hand in Cash Floats, Advances and Equivalents	2 600	2 800

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 160 000.

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.

6. OPERATING LEASE RECEIVABLES

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	24 612	37 977
Operating Lease Revenue recorded	(10 883)	(13 364)
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	13 729	24 612
Less: Amounts due for settlement within 12 months (Current Portion)	(1 714)	(10 883)
Total Operating Lease Receivables	12 015	13 729

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2015: 2 to 5) 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	1 714	10 883
2 to 5 years	12 015	13 729
More than 5 years	-	-
Total Operating Lease Arrangements	13 729	24 612

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R10 883 (2015: decrease of R13 364) in current year income.

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2015	128 944 856	728 950 380	845 764	3 497 672	3 622 130	5 577 143	-	871 437 945
Cost	279 090 056	1 876 722 865	2 757 608	8 532 503	7 853 469	9 620 300	-	2 184 576 801
- Completed Assets	278 855 056	1 876 722 865	2 757 608	8 532 503	7 853 469	9 620 300	-	2 184 341 801
- Under Construction	235 000	-	-	-	-	-	-	235 000
Accumulated Impairment Losses	-	-	(17 064)	(38 171)	(13 862)	(264 577)	-	(333 674)
Accumulated Depreciation	(150 145 200)	(1 147 772 485)	(1 894 780)	(4 996 660)	(4 217 477)	(3 778 580)	-	(1 312 805 182)
Acquisitions	8 640	-	71 953	135 910	58 138	13 596	1 156 171	1 444 409
Capital under Construction - Additions	-	10 194 806	-	-	-	-	-	10 194 806
Depreciation	(11 056 438)	(49 293 759)	(210 903)	(471 483)	(443 058)	(264 892)	(217 508)	(61 958 040)
Transfer to Investment Property	(6 800)	-	-	-	-	-	-	(6 800)
Carrying value of Disposals	-	-	(168 604)	(52 703)	(64 542)	(216 280)	-	(502 129)
- Cost	-	-	(515 309)	(184 962)	(206 457)	(905 397)	-	(1 812 125)
- Accumulated Impairment Losses	-	-	2 482	845	-	68 087	-	71 413
- Accumulated Depreciation	-	-	344 224	131 414	141 915	621 030	-	1 238 582
Impairment Losses	-	-	(5 039)	(2 568)	(3 483)	-	-	(11 090)
Carrying values at 30 June 2016	117 890 258	689 851 427	533 170	3 106 827	3 169 186	5 109 568	938 663	820 599 100
Cost	279 091 896	1 886 917 671	2 314 252	8 483 451	7 705 150	8 728 500	1 156 171	2 194 397 091
- Completed Assets	278 856 896	1 876 722 865	2 314 252	8 483 451	7 705 150	8 728 500	1 156 171	2 183 967 285
- Under Construction	235 000	10 194 806	-	-	-	-	-	10 429 806
Accumulated Impairment Losses	-	-	(19 622)	(39 894)	(17 345)	(196 491)	-	(273 351)
Accumulated Depreciation:	(161 201 638)	(1 197 066 244)	(1 761 460)	(5 336 730)	(4 518 619)	(3 422 441)	(217 508)	(1 373 524 640)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2014	140 006 730	763 500 934	1 113 702	4 241 935	4 589 260	6 209 515	-	919 662 077
Cost	279 090 056	1 862 890 250	2 952 204	8 678 606	8 975 099	9 620 300	-	2 172 206 515
- Completed Assets	278 855 056	1 847 616 931	2 952 204	8 678 606	8 975 099	9 620 300	-	2 156 698 196
- Under Construction	235 000	15 273 319	-	-	-	-	-	15 508 319
Accumulated Impairment Losses	-	-	(14 516)	(30 916)	(13 031)	(192 317)	-	(250 780)
Accumulated Depreciation	(139 083 326)	(1 099 389 316)	(1 823 987)	(4 405 754)	(4 372 807)	(3 218 468)	-	(1 252 293 657)
Acquisitions	-	13 832 615	122 214	99 430	118 179	-	-	14 172 439
Capital under Construction - Additions	-	-	-	-	-	-	-	-
Depreciation	(11 061 874)	(48 383 169)	(321 609)	(760 119)	(679 452)	(560 112)	-	(61 766 335)
Carrying value of Disposals	-	-	(65 123)	(75 273)	(405 027)	-	-	(545 423)
- Cost	-	-	(316 810)	(245 533)	(1 239 809)	-	-	(1 802 152)
- Accumulated Impairment Losses	-	-	872	1 047	-	-	-	1 919
- Accumulated Depreciation	-	-	250 815	169 213	834 783	-	-	1 254 811
Impairment Losses	-	-	(3 420)	(8 302)	(830)	(72 260)	-	(84 813)
Carrying values at 30 June 2015	128 944 856	728 950 380	845 764	3 497 672	3 622 130	5 577 143	-	871 437 945
Cost	279 090 056	1 876 722 865	2 757 608	8 532 503	7 853 469	9 620 300	-	2 184 576 801
- Completed Assets	278 855 056	1 876 722 865	2 757 608	8 532 503	7 853 469	9 620 300	-	2 184 341 801
- Under Construction	235 000	-	-	-	-	-	-	235 000
Accumulated Impairment Losses	-	-	(17 064)	(38 171)	(13 862)	(264 577)	-	(333 674)
Accumulated Depreciation:	(150 145 200)	(1 147 772 485)	(1 894 780)	(4 996 660)	(4 217 477)	(3 778 580)	-	(1 312 805 182)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R 2015
R

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial

7.3 Assets pledged as security

The Municipality did not pledge any of its assets as security.

7.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2015: R84 818) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.

7.5 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:

Land and Buildings	(7 264)	(22 862)
Infrastructure Assets	(209 334)	(5 243 121)
Other Assets	(3 924 546)	(668 805)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(4 141 144)	(5 934 788)

The change in estimates will result in a decrease of R4 141 144 (2015: R5 934 788) in the depreciation expense for the Municipality over the next three financial years.

7.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

8. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation	82 117	235 393
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The movement in Intangible Assets is reconciled as follows:

	235 393	383 791
Carrying values at 1 July		
Cost	1 999 458	1 977 579
Accumulated Amortisation	(1 764 066)	(1 593 788)
Acquisitions	6 318	21 879
Amortisation	(159 594)	(170 277)
Carrying values at 30 June	82 117	235 393
Cost	2 005 776	1 999 458
Accumulated Amortisation	(1 923 660)	(1 764 066)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

8. INTANGIBLE ASSETS (continued)

Refer to Appendix "B" for more detail on Intangible Assets.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R 2015
R

8.1 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 R36 363 (2015: R140 256).

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

9. INVESTMENT PROPERTY

At Fair Value

5 018 200 5 004 000

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

5 004 000 5 004 000

Fair Value

5 004 000 5 004 000

Accumulated Impairment Losses

- -

Acquisitions during the Year

- -

Net Gains / (Losses) from Fair Value Adjustments

- -

Impairment Losses during the Year

- -

Transfers during the Year

14 200 -

Carrying values at 30 June

5 018 200 5 004 000

Fair Value

5 018 200 5 004 000

Accumulated Impairment

- -

Estimated Fair Value of Investment Property at 30 June

5 018 200 5 004 000

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.

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.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value 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.

The following assumptions were used:

Discount Rate

7.80%

7.80%

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
10. HERITAGE ASSETS		
At Cost less Accumulated Impairment Losses	<u>6 959 273</u>	<u>6 959 273</u>

The movement in Heritage Assets is reconciled as follows:

	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2015	294 501	5 340 072	1 324 700	6 959 273
Cost	294 501	5 340 072	1 324 700	6 959 273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2016	294 501	5 340 072	1 324 700	6 959 273
Cost	294 501	5 340 072	1 324 700	6 959 273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2014	294 501	5 340 072	1 324 700	6 959 273
Cost	294 501	5 340 072	1 324 700	6 959 273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2015	294 501	5 340 072	1 324 700	6 959 273
Cost	294 501	5 340 072	1 324 700	6 959 273
Accumulated Impairment Losses	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

11. NON-CURRENT INVESTMENTS

Listed		
Listed Shares	<u>26 120</u>	<u>25 639</u>
Total Investments		
All Investments	26 120	25 639
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	<u>26 120</u>	<u>25 639</u>
Market valuation of Listed Investments		
Listed Shares	<u>26 120</u>	<u>25 639</u>

Listed Shares are investments in shares of public companies with no specific maturity dates or interest

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
12. LONG-TERM RECEIVABLES		
Other Loans	1 369	1 264
Less: Provision for Impairment	-	-
	1 369	1 264
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	-	-
Total Long-term Receivables	1 369	1 264

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.

13. CONSUMER DEPOSITS

Electricity and Water	2 192 648	2 111 697
Total Consumer Deposits	2 192 648	2 111 697

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 approximates their fair values.

14. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	1 106 676	1 051 176
Current Portion of Long-term Service Liability (See Note 20)	362 510	295 008
Total Provisions	1 469 186	1 346 184

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
2016		
Balance at beginning of year	295 008	1 051 176
Contributions to provision	67 502	55 500
Balance at end of year	362 510	1 106 676
2015		
Balance at beginning of year	412 920	1 000 584
Contributions to provision	-	50 592
Expenditure incurred	(117 912)	-
Balance at end of year	295 008	1 051 176

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
15. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	16 004 071	2 267 848
Payments Received in Advance	6 030 581	1 449 985
Retentions	721 662	449 602
Staff Bonuses	2 233 942	2 056 538
Sundry Deposits	292 170	266 743
Other Creditors	6 343 633	6 941 255
Salary Control Account	(1 944)	600 859
Accrued Leave	5 868 990	5 602 285
Total Payables	37 493 106	19 635 116

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. 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 financial risk policies in place to ensure that all payables are

The Municipality did default on payment of its Creditors. However, 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 approximates their fair values.

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments Received in Advance	1 780 812	1 609 422
Total Payables	1 780 812	1 609 422

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, 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 approximates their fair values.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from Government

National Government Grants	3 034 384	1 798 375
Provincial Government Grants	1 922 905	1 923 116
Local Government Grants	39 188	39 188

17.2 Other Conditional Receipts

Public Contributions	-	-
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Total Conditional Grants and Receipts	4 996 476	3 760 679
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 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.

18. VAT PAYABLE

VAT Payable	4 747 775	1 718 101
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
19. LONG-TERM LIABILITIES		
Annuity Loans	707 863	3 212 014
Finance Lease Liability	976 305	-
Sub-total	1 684 168	3 212 014
Less: Current Portion transferred to Current Liabilities	(1 065 281)	(2 478 337)
Annuity Loans	(707 863)	(2 478 337)
Finance Lease Liability	(357 418)	-
Total Long-term Liabilities (Neither past due, nor impaired)	618 887	733 677

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2015: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2015: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

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.

19.2 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.

20. EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	36 075 300	33 925 800
Long Service Awards Liability	3 402 066	3 087 807
Total Employee Benefit Liabilities	39 477 366	37 013 607

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	34 976 976	32 350 240
Contributions to Provision	2 065 923	1 828 833
Increase due to Discounting	3 095 907	2 886 475
Expenditure incurred	(1 051 176)	(1 000 584)
Actuarial (Gains) /Losses	(1 905 654)	(1 087 988)
Balance at end of Year	37 181 976	34 976 976
Transfer to Current Provisions	(1 106 676)	(1 051 176)
Total Post-retirement Health Care Benefits Liability	36 075 300	33 925 800

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R			
20. EMPLOYEE BENEFIT LIABILITIES (continued)					
The members of the Post-employment Health Care Benefit Plan are made up as follows:					
In-service Members (Employees)	55	54			
In-service Non-members (Employees)	265	284			
Continuation Members (Retirees, widowers and orphans)	28	29			
Total Members	348	367			
The liability in respect of past service has been estimated as follows:					
In-service Members	21 940 414	20 397 487			
Continuation Members	15 241 562	14 579 489			
Total Liability	37 181 976	34 976 976			
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2016 is estimated to be R2 065 923, whereas the cost for the ensuing year is estimated to be R2 170 687 (2015: R1 828 833 and R2 065 923 respectively).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.07%	8.98%			
Health Care Cost Inflation Rate	8.17%	8.06%			
Net Effective Discount Rate	0.84%	0.85%			
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	34 976 976	32 350 240			
Current service costs	2 065 923	1 828 833			
Interest cost	3 095 907	2 886 475			
Benefits paid	(1 051 176)	(1 000 584)			
Actuarial losses / (gains)	(1 905 654)	(1 087 988)			
Total Recognised Benefit Liability	37 181 976	34 976 976			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	37 181 976	34 976 976			
Total Benefit Liability	37 181 976	34 976 976			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	2 065 923	1 828 833			
Interest cost	3 095 907	2 886 475			
Expenditure incurred	(1 051 176)	(1 000 584)			
Actuarial losses / (gains)	(1 905 654)	(1 087 988)			
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	2 205 000	2 626 736			
The history of experienced adjustments is as follows:					
	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	37 181 976	34 976 976	32 350 240	29 721 154	25 908 685
Deficit	37 181 976	34 976 976	32 350 240	29 721 154	25 908 685
Experienced adjustments on Plan Liabilities	39 087 630	36 064 964	32 891 138	28 430 330	29 078 560

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
20. EMPLOYEE BENEFIT LIABILITIES (continued)		
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	6 251 300	5 701 300
Effect on the defined benefit obligation	43 741 000	41 132 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	4 307 600	3 940 800
Effect on the defined benefit obligation	31 917 000	30 039 000
The Municipality expects to make a contribution of R2 170 687 (2015: R2 065 923) to the Defined Benefit Plans during the next financial year.		
Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally		
20.2 Long Service Awards Liability		
Balance at beginning of Year	3 382 815	3 083 492
Contributions to Provision	369 911	312 023
Increase due to Discounting	260 051	226 797
Expenditure incurred	(295 008)	(412 920)
Actuarial (Gains) /Losses	46 807	173 423
Balance at end of Year	3 764 576	3 382 815
Transfer to Current Provisions	(362 510)	(295 008)
Total Long Service Awards Liability	3 402 066	3 087 807
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 2016 by Mr C Weiss, 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, 320 (2015: 338) employees were eligible for Long-services Awards.		
The Current-service Cost for the year ending 30 June 2016 is estimated to be R369 911 (2015: R312 023), whereas the cost for the ensuing year is estimated to be R397 341 (2015: R369 911).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.45%	8.03%
Cost Inflation Rate	7.12%	7.09%
Net Effective Discount Rate	1.25%	0.88%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3 382 815	3 083 492
Current service costs	369 911	312 023
Interest cost	260 051	226 797
Benefits paid	(295 008)	(412 920)
Actuarial losses / (gains)	46 807	173 423
Total Recognised Benefit Liability	3 764 576	3 382 815
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 764 576	3 382 815
Total Benefit Liability	3 764 576	3 382 815

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
20. EMPLOYEE BENEFIT LIABILITIES (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	369 911	312 023
Interest cost	260 051	226 797
Benefits paid	(295 008)	(412 920)
Actuarial losses / (gains)	46 807	173 423
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	381 761	299 323

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	679 000	581 000
Effect on the defined benefit obligation	3 991 000	3 600 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	585 800	500 900
Effect on the defined benefit obligation	3 558 000	3 185 000

The Municipality expects to make a contribution of R362 510 (2015: R295 008) to the Defined Benefit Plans during the next financial year.

21. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	7 030 107	6 410 237
Total Non-current Provisions	7 030 107	6 410 237

The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:

Balance at beginning of year	6 410 237	6 184 629
Contributions to provision	619 870	225 609
	7 030 107	6 410 237

Transfer to current provisions

	-	-
Balance at end of year	7 030 107	6 410 237

21.1 Rehabilitation of Land-fill Sites

The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2021/22, 2037/38 and 2032/33. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation		
Britstown Landfill	2021/2022	1 350 740	1 231 641
De Aar Landfill	2037/2038	4 408 403	4 019 698
Hanover Landfill	2032/2033	1 270 964	1 158 898
		7 030 107	6 410 237

22. 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 / (Deficit) due to the results of Operations	860 553 295	917 989 960
Total Accumulated Surplus	862 806 088	920 242 753

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015	2016	2015
	R	R	R	R
23. PROPERTY RATES				
	Property Valuations		Actual Levies	
	2016	2015		
	R000's	R000's		
Residential	1 969 925 294	1 969 925 294	18 211 379	18 987 933
Commercial	177 013 456	177 013 456	3 044 491	1 706 217
State	125 628 042	125 628 042	4 861 010	1 210 917
Total Property Rates	<u>2 272 566 792</u>	<u>2 272 566 792</u>	<u>26 116 879</u>	<u>21 905 068</u>
<p>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 2013.</p> <p>Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>An general rate is applied as follows to property valuations to determine property rates: Residential Properties: 1.2860 c/R (2015: 1.2133 c/R) Business Properties: 1.3396 c/R (2015: 1.2578 c/R) State Owned Properties: 1.6934 c/R (2015: 1.5900 c/R)</p> <p>A rebate of 100.00% (2015: 100.00%) was allowed on residential properties whose market value is R 18 000 and less and agriculture properties are levied as per Government Gazette of 2009.</p> <p>Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.</p>				
24. FINES				
Penalties for Consumers			409 366	190 705
Traffic Fines			18 990 034	22 820 181
Total Fines			<u>19 399 400</u>	<u>23 010 886</u>
25. LICENCES AND PERMITS				
Driver and Learner Licences			256 255	347 525
Roadworthy and Other Special Permits			263 330	909 405
Total Licences and Permits			<u>519 586</u>	<u>1 256 930</u>
26. GOVERNMENT GRANTS AND SUBSIDIES				
National Equitable Share			35 929 000	35 342 000
Provincial: Sports, Arts and Culture (Library Grant)			1 142 000	757 000
Operational Grants			<u>37 071 000</u>	<u>36 099 000</u>
Conditional Grants			12 719 121	18 144 255
National: EPWP			999 275	897 011
National: FMG			1 600 000	1 600 000
National: MIG			7 838 160	13 967 188
National: MSIG			930 000	934 000
Provincial: DWA (Other Capital Projects)			-	81 370
Provincial: Sports, Arts and Culture (Phandulwazi Upgrade)			-	-
Provincial: Housing Accreditation			35 000	645 000
Provincial: Department of Health			-	-
Provincial: Department of Eductaion			-	-
Provincial: Department of Roads			-	19 686
National: Integrated National Electrification Programme (INEP)			1 316 686	-
Other Local Government			-	-
Total Government Grants and Subsidies			<u>49 790 121</u>	<u>54 243 255</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Government Grants and Subsidies:		
Conditional Grants - Capital	9 538 577	1 287 959
Conditional Grants - Operational	3 180 544	16 856 296
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	37 071 000	36 099 000
Total Government Grants and Subsidies	49 790 121	54 243 255
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	40 251 544	52 955 296
Conditions met - transferred to Revenue: Capital Expenses	9 538 577	1 287 959
Total Transfers	49 790 121	54 243 255
Operational Grants:		
26.1 National: Equitable Share	35 929 000	35 342 000
<p>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 RXXX (2015: R367), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No</p>		
26.2 Provincial: Sports, Arts and Culture (Library Grant)		
Balance unspent at beginning of year	-	-
Current year receipts	1 142 000	757 000
Conditions met - transferred to Operating Revenue	(1 142 000)	(757 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
<p>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.</p>		
Conditional Grants:		
26.3 National: Expanded Public Works Programme		
Balance unspent at beginning of year	47 275	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Operating Revenue	(96 992)	-
Conditions met - transferred to Capital Revenue	(902 282)	(897 011)
Conditions met - transferred to Other Revenue (Own Income)	-	(55 715)
Other Adjustments / Refunds	(48 000)	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	(0)	47 275
<p>This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld.</p>		
26.4 National: Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to Operating Revenue	(1 600 000)	(1 600 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
<p>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 (Act No. 56 of 2003). The FMG 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</p>		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.5 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	1 751 651	1 511 512
Current year receipts	11 898 000	16 108 000
Conditions met - transferred to Operating Revenue	(512 759)	(13 576 240)
Conditions met - transferred to Capital Revenue	(7 325 401)	(390 948)
Conditions met - transferred to Other Revenue (Own Income)	(1 025 556)	(1 900 674)
Other Adjustments / Refunds	(1 751 000)	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	<u>3 034 934</u>	<u>1 751 651</u>

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).

At yearend, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This 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

26.6 National: Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Operating Revenue	(930 000)	(934 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	<u>-</u>	<u>-</u>

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.

26.7 Provincial: Department of Water Affairs		
Balance unspent at beginning of year	15 621	15 621
Current year receipts	-	92 762
Conditions met - transferred to Operating Revenue	-	(81 370)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	(11 392)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	<u>15 621</u>	<u>15 621</u>

At yearend, not all conditions were met in respect to the upgrading of the library as all funds received were not spent. This 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

26.8 Provincial: Sports, Arts and Culture (Phandulwazi Upgrade)		
Balance unspent at beginning of year	150 000	150 000
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	<u>150 000</u>	<u>150 000</u>

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.9 Provincial: Housing Accreditation		
Balance unspent at beginning of year	-	-
Current year receipts	35 000	645 000
Conditions met - transferred to Operating Revenue	(35 000)	(645 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-

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.

26.10 Provincial: Department of Health

Balance unspent at beginning of year	0	3 599 559
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	(3 599 559)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	0	0

The grant was received for the construction of the electricity lines to the new hospital. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the electricity line as all funds received were not spent. This 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

26.11 Provincial: Department of Education

Balance unspent at beginning of year	1 232 100	1 232 100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	1 232 100	1 232 100

The grant was received for the construction of a new athletics field. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This 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

26.12 Provincial: Department of Roads

Balance unspent at beginning of year	267 600	290 042
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(19 686)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	(2 756)
Conditions still to be met - transferred to Current liabilities (see Note 17)	267 600	267 600

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. At yearend, not all conditions were met in respect to the revitalization of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.13 Provincial: Department of Roads		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-

This grant was allocated for the construction and upgrading of roads within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

26.14 National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	257 245	257 245
Current year receipts	1 500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(5 792)	-
Conditions met - transferred to Revenue: Capital Expenses	(1 310 894)	-
Conditions met - transferred to Revenue: VAT portion released	(183 525)	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	257 034	257 245

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

26.15 Other Local Government

Balance unspent at beginning of year	39 188	39 188
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	39 188	39 188

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 were met. No funds have been withheld.

26.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

27. SERVICE CHARGES

Sale of Electricity	67 805 345	61 033 663
Sale of Water	22 235 835	20 888 046
Refuse Removal	5 913 071	5 822 484
Sewerage and Sanitation Charges	10 936 980	10 668 235
Other Service Charges	396 126	427 195
Total Service Charges	107 287 357	98 839 622

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.

28. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Halls	89 022	83 135
Rental Revenue from Land	661 728	1 069 706
Rental Revenue from Other Facilities	37 448	23 452
Total Rental of Facilities and Equipment	788 198	1 176 293

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
29. INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	140 104	170 342
	<u>140 104</u>	<u>170 342</u>
External Investments:		
Bank Account	84 603	104 700
Investments	1 087 772	845 700
Other Deposits	29 030	-
	<u>1 201 405</u>	<u>950 399</u>
Outstanding Debtors:		
Long-term Debtors	105	100
Outstanding Billing Debtors	558 030	645 661
	<u>558 134</u>	<u>645 761</u>
	<u>1 899 644</u>	<u>1 766 503</u>
Total Interest Earned		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1 201 405	950 399
Loans and Receivables	698 238	816 103
	<u>1 899 644</u>	<u>1 766 503</u>
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.		
30. OTHER REVENUE		
Building Plan Fees	134 992	116 632
Grave Fees	287 097	281 548
Sundries Levies	646 876	4 536 255
Own Income - VAT	1 209 081	1 967 780
Reconnection Fees	119 032	204 958
Tender Documents	20 200	26 266
Other non material Income	183 900	117 599
	<u>2 601 180</u>	<u>7 251 038</u>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and		
31. PROFIT (LOSS) ON SALE OF LAND		
Proceeds on Sale of Land	-	978 624
Cost of Sale of Land	-	-
	<u>-</u>	<u>978 624</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
32. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	49 888 999	48 248 010
Basic Salaries and Wages	45 006 160	42 882 124
Long Service Bonuses	8 700	216 516
Leave Encashed	613 651	1 707 088
Service Bonuses	4 260 488	3 442 282
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	11 650 021	10 585 794
Group Life	44 587	46 681
Medical	2 620 940	2 470 281
Pension	7 975 245	7 160 963
Industrial Council Levy	30 479	28 598
Skills Development Levy	546 683	476 197
UIF	432 088	403 075
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 100 233	2 646 838
Allowances	3 100 233	2 646 838
Pensioners Allowances	-	-
Housing Benefits and Allowances	702 754	93 036
Overtime Payments	3 055 592	2 364 532
Defined Benefit Plan Expense:	2 205 000	2 626 736
Current Service Cost	2 065 923	1 828 833
Interest Cost	3 095 907	2 886 475
Net Actuarial (gains)/losses recognised	(1 905 654)	(1 087 988)
Vested Past Service Cost	(1 051 176)	(1 000 584)
Long-service Award Liability Expense:	381 761	299 323
Current Service Cost	369 911	312 023
Interest Cost	260 051	226 797
Net Actuarial (gains)/losses recognised	46 807	173 423
Vested Past Service Cost	(295 008)	(412 920)
Total Employee Related Costs	70 984 361	66 864 269
No advances were made to employees.		
Included in Employee Related Costs is an amount of R7 975 245 (2015: R7 160 963) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	811 100	856 769
Performance Bonus	206 204	192 969
Car and Other Allowances	372 476	258 000
Company Contributions to UIF, Medical and Pension Funds	158 823	150 182
Total	1 548 602	1 457 919
Remuneration of the Chief Financial Officer		
Annual Remuneration	782 830	698 809
Performance Bonus	157 933	172 314
Car and Other Allowances	253 181	271 392
Company Contributions to UIF, Medical and Pension Funds	150 263	135 829
Total	1 344 207	1 278 343
Remuneration of the Director: Corporate Services		
Annual Remuneration	524 717	513 874
Performance Bonus	80 447	100 249
Car and Other Allowances	159 202	125 690
Company Contributions to UIF, Medical and Pension Funds	153 640	145 056
Total	918 006	884 870
Remuneration of the Director: Community and Development Services		
Annual Remuneration	586 186	615 208
Performance Bonus	93 975	88 000
Car and Other Allowances	245 007	161 952
Company Contributions to UIF, Medical and Pension Funds	114 530	108 327
Total	1 039 697	973 486

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
32. EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Director: Infrastructure and Housing Services</i>		
Annual Remuneration	642 038	490 414
Performance Bonus	123 341	66 000
Car and Other Allowances	136 902	36 665
Company Contributions to UIF, Medical and Pension Funds	127 826	127 538
Total	1 030 107	720 616
<p>The post was vacated on 30 April 2014. An Acting Allowance was paid for the period 1 May 2014 to 31</p> <p>No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.</p>		
33. REMUNERATION OF COUNCILLORS		
Mayor	739 220	698 408
Speaker	595 097	560 199
Councillors	1 968 807	1 681 485
Company Contributions to UIF, Medical and Pension Funds	170 148	327 600
Other Allowances (Cellular Phones, Housing, Transport, etc)	927 908	858 767
Total Councillors' Remuneration	4 401 180	4 126 459
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
<p>Councillors may utilise official Council transportation when engaged in official duties.</p> <p>The Mayor has use of a Council owned vehicle for official duties.</p>		
34. COLLECTION COSTS		
Commission Paid	492 164	283 077
Total Collection Costs	492 164	283 077
35. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	61 957 175	61 766 335
Amortisation: Intangible Assets	159 594	170 277
Total Depreciation and Amortisation	62 116 769	61 936 612
36. IMPAIRMENT LOSSES		
<i>36.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	11 090	84 813
Property, Plant and Equipment	11 090	84 813
Intangible Assets	-	-
	11 090	84 813
<i>36.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	30 642 221	35 627 279
Receivables from Exchange Transactions	2 543 479	14 609 070
Receivables from Non-exchange Transactions	28 098 741	21 018 209
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	30 642 221	35 627 279
Total Impairment Losses	30 653 311	35 712 091

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
37. REPAIRS AND MAINTENANCE		
Land and Buildings	633 932	907 927
Infrastructure - Electricity	3 511 484	3 127 993
Infrastructure - Road Transport	674 446	628 131
Infrastructure - Sanitation	19 329	7 520
Infrastructure - Water	782 607	698 894
Infrastructure - Other	3 058 743	2 679 008
Other Assets	2 909 471	3 189 046
Total Repairs and Maintenance	<u>11 590 011</u>	<u>11 238 519</u>
38. FINANCE COSTS		
Bank Overdraft	326 692	23 589
Finance Leases	95 371	-
Overdue Creditors	503 670	-
Current Borrowings	215 738	522 138
Landfill Provision	619 870	565 214
Total Interest Paid on External Borrowings	<u>1 761 341</u>	<u>1 110 941</u>
<p>The weighted average capitalisation rate on funds borrowed generally is 10.00% per annum (2015: 10.00% per annum).</p>		
39. BULK PURCHASES		
Electricity	52 295 143	45 222 232
Water	2 125 081	1 826 423
Total Bulk Purchases	<u>54 420 223</u>	<u>47 048 655</u>
<p>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.</p>		
40. CONTRACTED SERVICES		
Professional Fees	3 610 674	2 708 719
Security Services	2 112 475	1 813 991
Other Contracted Services	3 358 625	3 094 969
Total Contracted Services	<u>9 081 774</u>	<u>7 617 680</u>
41. GRANTS AND SUBSIDIES PAID		
Community Projects	-	-
Other Grants and Subsidies Paid	247 049	225 467
Total Grants and Subsidies	<u>247 049</u>	<u>225 467</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
42. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	118 106	326 152
Assessment Rates and Municipal Charges	2 932 662	2 836 510
Audit Fees	2 254 210	2 138 388
Bank Charges	432 045	411 149
Branding of the Municipality	-	43 363
Cleaning Materials	117 612	119 262
Conference Fees	81 495	58 705
Driving License Fees	107 719	251 494
Electricity Rural Water Pumps	2 094 403	1 617 198
Entertainment	186 740	210 079
Fuel and Oil	2 617 927	3 393 605
Grave Excavations	73 525	44 785
HR Employee Wellness	1 839 237	2 074 679
IDP Review	1 960	16 445
Insurance	754 484	730 593
Internal Audit	39 057	41 651
Legal Costs	655 276	33 561
Levies: SALGA	36 635	620 496
License Fees and Subscriptions	156 178	548 031
Magazines and Reference Work	-	3 260
Motor Vehicle Expenses	116 738	141 517
Performance Appraisal	37 172	-
Printing and Stationery	1 340 071	886 497
Protective Clothing	328 152	294 450
Sundry Expenses	54 935	238 767
Strategic Planning Expenses	131 086	291 586
Telephone Cost	1 394 950	1 217 833
Tourism Strategy	24 745	85 897
Training Costs	(143 760)	659 802
Travelling and Subsistence	1 837 065	2 412 432
Water	43 415	71 628
Youth Development Programme	16 710	15 355
Total General Expenses	<u>19 680 554</u>	<u>21 835 166</u>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

43. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	481	4 551
Net Other Gains and Losses	<u>481</u>	<u>4 551</u>

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).

44. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on Sale of Assets	91 355	(545 423)
Assets Disposed at Carrying Value:	(502 129)	-
Cost of Disposed Assets	(1 812 125)	-
Accumulated Depreciation of Disposed Assets	1 309 996	-
Accumulated Impairment of Disposed Assets	-	-
Total Gains / Losses on Disposal of Capital Assets	<u>(410 774)</u>	<u>(545 423)</u>

45. CHANGE IN ACCOUNTING POLICY

There were no changes in Accounting Policies for the current financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46. CORRECTION OF ERROR		
Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2015 and 30 June 2016. Details of the adjustments are as follows:		
Statement of Financial Position:		
Inventories	62 962 514	62 962 514
Receivables from Exchange Transactions	31 918 169	31 918 169
Receivables from Non-exchange Transactions	19 797 403	18 236 937
Cash and Cash Equivalents	12 281 744	12 281 744
Current Portion of Operating Lease Receivables	10 883	1 822
Property, Plant and Equipment	871 437 945	871 753 038
Intangible Assets	235 393	235 393
Investment Property	5 004 000	5 004 000
Heritage Assets	6 959 273	6 959 273
Non-current Investments	25 639	25 639
Long-term Receivables	1 264	1 264
Operating Lease Receivables	13 729	3 323
Consumer Deposits	(2 111 697)	(2 111 697)
Provisions	(1 346 184)	(1 228 272)
Payables from Exchange Transactions	(19 635 116)	(19 233 024)
Payables from Non-exchange Transactions	(1 609 422)	(1 609 422)
Unspent Conditional Grants and Receipts	(3 760 679)	(3 760 679)
VAT Payable	(1 718 101)	(1 538 757)
Bank Overdraft	(13 588 146)	(13 564 441)
Current Portion of Long-term Liabilities	(2 478 337)	(2 478 337)
Long-term Liabilities	(733 677)	(733 677)
Employee Benefit Liabilities	(37 013 607)	(37 131 519)
Non-current Provisions	(6 410 237)	(16 450 671)
Accumulated Surplus - Opening Balance	(958 633 391)	(958 633 391)
Accumulated Surplus - Prior Period Error	(9 720 952)	-
Accumulated Surplus - Surplus (Loss) for the Year	48 111 590	49 090 772
	(0)	(0)

Statement of Financial Performance:

Service Charges		(1 098 815)
Rental of Facilities and Equipment		12 612
Depreciation and Amortisation		550 869
Impairment Losses		(5)
Repairs and Maintenance		23 705
Contracted Services		(182 218)
Finance Cost		(225 609)
General Expenses		139 081
Loss on Disposal of PPE		(198 803)
		(979 183)

The details of the reclassifications of correction of errors made are as follows:

46.1 Department: Transport outstanding debt not previously recognised

Correspondence was received from Department: Transport that indicated that the Municipality has an outstanding account amounting to R280 202.50, dating back to the period 12 December 2002 to 30 June 2004. This matter was discussed with the Provincial Department and it was found that the aforementioned outstanding debt relates to both the Municipality and the Provincial Department. It was agreed that the Municipality's portion of the outstanding balance amounted to R162 923.

The effect is as follows:

Statement of Financial Position:

(Increase) / Decrease in Payables from Exchange Transactions	(162 923)	(162 923)
(Increase) / Decrease in Accumulated Surplus	162 923	162 923
	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46. CORRECTION OF ERROR (continued)		
46.2 Wages not previously cleared from Bank Reconciliation		
During the year it was discovered that Wages amounting to R23 705.00 was paid in the previous year, but the respective journal to recognise the expense in the financial records of the Municipality was not posted. The aforementioned amount remained as a reconciling item on the bank and was cleared in the		
The effect is as follows:		
Statement of Financial Position:		
(Increase) / Decrease in Bank Overdraft	(23 705)	(23 705)
(Increase) / Decrease in Accumulated Surplus	23 705	-
Statement of Financial Position:		
Increase / (Decrease) in Repairs and Maintenance	-	23 705
	-	-
	-	-
46.3 Accruals not previously accounted for		
During the year invoice DTLC1012 was received from Driving Licence Card Fees which were owed during the 2014/2015 financial year. This amount was not included as an accrual or creditor in the previous financial year and the Municipality only became aware of it during the current financial year.		
The effect is as follows:		
Statement of Financial Position:		
(Increase) / Decrease in Creditors from Exchange Transactions	(139 081)	(139 081)
(Increase) / Decrease in Accumulated Surplus	139 081	-
Statement of Financial Position:		
Increase / (Decrease) in General Expenses	-	139 081
	-	-
	-	-
46.4 Differences identified in Prepaid Electricity		
It was discovered that VAT was not correctly accounted for on the sale of Prepaid Electricity, due to the fact that the system changed during the 2014/2015 financial year. This resulted in various over- and underpayments being made to the Service Provider, as well as differences being identified on the VAT declared		
The effect is as follows:		
Statement of Financial Position:		
Increase / (Decrease) in Receivables from Non-exchange Transactions	1 560 466	1 560 466
(Increase) / Decrease in Creditors from Exchange Transactions	(100 088)	(100 088)
(Increase) / Decrease in VAT Payable	(179 345)	(179 345)
(Increase) / Decrease in Accumulated Surplus	(1 281 033)	-
Statement of Financial Position:		
(Increase) / Decrease in Service Charges	-	(1 098 815)
Increase / (Decrease) in Contracted Services	-	(182 218)
	-	-
	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46. CORRECTION OF ERROR (continued)		
46.5 Provision for Landfill Site revaluated		
Based on guidance received for the determination for the Provision for the Rehabilitation of Landfill Sites, it was found that the provisions were overstated in the previous financial year. This was due to a calculation error and more clear guidance provided on the input data and the source thereof.		
The effect is as follows:		
Statement of Financial Position:		
(Increase) / Decrease in Non-current Provisions	10 040 434	10 040 434
(Increase) / Decrease in Accumulated Surplus	(10 040 434)	(9 814 825)
Statement of Financial Position:		
Increase / (Decrease) in Finance Costs	-	(225 609)
	-	-
	-	-
46.6 Physical Asset Verification conducted and differences identified		
During the current year's Asset Verification conducted in terms of GRAP 17, assets that were written-off in the previous financial year (as they could not be verified) were verified in the current year. These write-offs were subsequently reversed and the impact thereof on the Depreciation Expense was calculated and included. Further procedures were implemented to make the financial records more comparable to the information included in the Fixed Asset Register, which resulted in reclassification to be done in the		
The effect is as follows:		
Statement of Financial Position:		
Increase / (Decrease) in Property, Plant and Equipment	(315 091)	(315 091)
(Increase) / Decrease in Accumulated Surplus	315 091	(36 970)
Statement of Financial Position:		
Increase / (Decrease) in Depreciation and Amortisation	-	550 869
Increase / (Decrease) in Impairment Losses	-	(5)
Increase / (Decrease) in Loss on Disposal of PPE	-	(198 803)
	-	-
	-	-
46.7 Restatement of Operating Lease Asset		
All Rental Contracts were inspected during the year and it was found that not all Contracts included in the Operating Lease Asset calculation is applicable and it was furthermore found that not all contracts were		
The effect is as follows:		
Statement of Financial Position:		
Increase / (Decrease) in Operating Lease Asset	19 468	19 468
(Increase) / Decrease in Accumulated Surplus	(19 468)	(32 080)
Statement of Financial Position:		
(Increase) / Decrease in Rental of Facilities and Equipment	-	12 612
	-	-
	-	-
47. CHANGE IN ESTIMATE		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(4 141 144)	(5 934 788)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	(15 501)	(403 217)
Increase / (Decrease) in Depreciation of PPE	(4 156 644)	(6 338 005)
Depreciation and Amortisation as previously stated	66 273 413	68 515 892
Adjustment due to Change in Accounting Estimate	(4 156 644)	(6 338 005)
Depreciation and Amortisation as per Note 35	62 116 769	62 177 887
	62 116 769	62 177 887
48. CASH GENERATED BY OPERATIONS		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Surplus / (Deficit) for the Year	(57 436 666)	(48 111 589)
Adjustment for:		
Depreciation and Amortisation	62 116 769	61 936 612
Impairment Losses on Property, Plant and Equipment	11 090	84 813
Losses / (Gains) on Disposal of Property, Plant and Equipment	410 774	545 423
Fair Value adjustment of Non-current Investment	(481)	(4 551)
Profit on Sale of Land	-	(978 624)
Contribution to Retirement Benefit Liabilities	2 205 000	2 626 736
Contribution to Non-current Provisions	619 870	402 290
Contribution to Long Service Awards Liability	381 761	299 323
Contribution to Impairment Provision	30 642 221	35 627 279
Operating surplus before working capital changes	38 950 338	52 427 711
Decrease/(Increase) in Inventories	40 633	(110 853)
Decrease/(Increase) in Receivables from Exchange Transactions	(17 183 217)	(17 601 284)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(22 274 796)	(23 164 778)
Decrease/(Increase) in Operating Lease Assets	10 883	752
Increase/(Decrease) in Consumer Deposits	80 951	163 168
Increase/(Decrease) in Payables from Exchange Transactions	17 857 990	4 668 678
Increase/(Decrease) in Payables from Non-exchange Transactions	171 390	192 724
Increase/(Decrease) in Conditional Grants and Receipts	1 235 797	(3 334 588)
Increase/(Decrease) in Payables from VAT Payable	3 029 673	1 004 252
Cash generated by / (utilised in) Operations	21 919 643	14 245 782

49. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2015/2016 financial year, the Municipality acquired R1 156 171 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

50. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount used	2 573 919	-
- Amount unused	2 000 000	1 000 000
	4 573 919	1 000 000

Unsecured Credit Card Facility, reviewed annually and payable monthly:

- Amount used	-	-
- Amount unused	50 000	50 000
	50 000	50 000

Unsecured Fleet Card Facility, reviewed annually and payable monthly:

- Amount used	-	-
- Amount unused	800 000	800 000
	800 000	800 000

51. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 19)	1 684 168	3 212 014
Used to finance Property, Plant and Equipment - at cost	(1 684 168)	(3 212 014)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R 2015
R

52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

52.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	164 916 450	95 735 235
Unauthorised Expenditure current year	71 974 257	69 181 215
Approved by Council or condoned	-	-
Unauthorised Expenditure awaiting authorisation	236 890 706	164 916 450

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>Council to condone expenditure.</i>
<i>Executive and Council - R1 486 419 (R2 522 900)</i>	
<i>Finance and Administration - R1 485 388 (R0)</i>	
<i>Planning and Development - R10 211 894 (R9 695 097)</i>	
<i>Community and Social Services - R16 116 423 (R14 817 365)</i>	
<i>Health - R78 960 (R0)</i>	
<i>Housing - R8 635 597 (R2 343 101)</i>	
<i>Waste Management - R20 254 760 (R3 798 312)</i>	
<i>Roads and Transport - R0 (R3 937 744)</i>	
<i>Water - R12 830 210 (R13 031 894)</i>	
<i>Electricity - R0 (R18 319 166)</i>	
<i>Other - R874 605 (R715 637)</i>	

52.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	872 216	872 216
Fruitless and Wasteful Expenditure current year	503 670	-
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	1 375 886	872 216

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest paid to Creditors on overdue accounts - R 503 670 (2015:</i>	

52.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	63 089 986	52 491 106
Irregular Expenditure current year	6 080 708	10 598 880
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	69 170 694	63 089 986

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	<i>Council to condone expenditure.</i>
<i>The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular = R21 277.</i>	
<i>Tax clearance certificates are not in place for certain costs incurred above R15 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R4 878 172.</i>	
<i>MBD 1 forms are not in place for certain costs incurred above R10 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R1 181 259.</i>	

The Municipality is still in process of ensuring the completeness of its Irregular Expenditure (as disclosed above), as this an on-going process.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
53.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	683 276	650 496
Amount Paid - current year	(683 276)	(650 496)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
53.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	2 569 800	2 437 762
Amount Paid - current year	(2 569 800)	(2 437 762)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
53.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Notes 5 and 19. All VAT returns have been submitted by the due date throughout the year.		
53.4 PAYE, Skills Development Levy and UIF		
Opening Balance	600 859	-
Current year Payroll Deductions	8 694 965	7 493 049
Amount Paid - current year	(9 295 824)	(6 892 190)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	600 859
53.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	14 988 360	13 525 815
Amount Paid - current year	(14 988 360)	(13 525 815)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

53.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2016			
Councillor Nyl GL	10 688	4 414	6 274
Councillor Swanepoel B	14 217	1 443	12 774
Councillor Swanepoel F	12 224	962	11 262
Total Councillor Arrear Consumer Accounts	37 129	6 819	30 310
30 June 2015			
Councillor Kivedo MC	11 124	3 389	7 735
Councillor Nyl GL	5 974	5 336	639
Councillor Witbooi WA	3 557	1 923	1 634
Councillor Swanepoel B	1 809	953	857
Total Councillor Arrear Consumer Accounts	22 464	11 600	10 864

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2016		
Councillor Nyl GL	6 273	> 90 Days
Councillor Swanepoel B	12 866	> 90 Days
Councillor Swanepoel F	13 602	> 90 Days

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

30 June 2015	Highest amount outstanding	Ageing
Councillor Kivedo MC	16 455	> 90 Days
Councillor Nyl GL	770	> 90 Days
Councillor Witbooi WA	1 634	> 90 Days
Councillor Jaftha AF	2 601	> 90 Days
Councillor Swanepoel B	857	> 90 Days

53.7 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Websites of Municipalities	8	75	(1) to (2)
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

53.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
The bulk of the quantity of the deviations was due to the fact that only one or two quotations could be obtained in the area for specific services required by the municipality. Some deviations was due to the nature of the equipment, in example the Komatsu machine was repaired by Komatsu's service department etc. The largest amount of the deviations for July was due to the specific nature of the parts required for the specific pump.	July 2015	Various Suppliers	2 916 761	74 700	2 991 461
The majority of the deviations was due to the fact that only one or two service providers were available locally to provide the required goods and/or services. In some cases, either the quality was the reason for the deviation, or the specific nature of the goods required. Ubertech was used to service the faulty software, as they are the original provider of the software services.	August 2015	Various Suppliers	114 886	54 989	169 875
A substantial amount of deviations for the month was due to the urgent need for the specific service and/or good. In other instances, only one or two service providers are available locally.	September 2015	Various Suppliers	225 980	208 847	434 826
Most of the deviations for the month was due to the fact that only one or two service providers were available locally to deliver the required service and/or goods, due to the specific nature of the service and/or goods required.	October 2015	Various Suppliers	103 407	102 712	206 119
Most of the deviations for the month was due to the fact that only one or two service providers were available locally to deliver the required service and/or goods, due to the specific nature of the service and/or goods required.	November 2015	Various Suppliers	74 398	27 624	102 022
Most of the deviations for the month was due to the fact that only one or two service providers were available locally to deliver the required service and/or goods, due to the specific nature of the service and/or goods required.	January 2016	Various Suppliers	97 773	33 255	131 028

EMTHANJENI LOCAL MUNICIPALITY
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<p>A large number of deviations recorded for the month was supported by the fact that the municipality had credible SLA agreements with the service providers, especially service providers who renders specialist services. In other instances only one or two suppliers tendered for issued notices. Some emergency electrical services was also required in the month.</p>	February 2016	Various Suppliers	436 873	193 240	630 114
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EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
The biggest contributing factor towards the deviations for the month was due to the fact that electricity meters were needed urgently. As a result the municipality made use of Contour, with whom they have a SLA. Other contributing factors was the shortage of suppliers for required goods and/or services.	March 2016	Various Suppliers	22 679	205 446	228 124
Contributing factors to the deviations for the month was urgent services required at the Mayoral Cup as well as the fact that only one or two service suppliers responded on several notices.	April 2016	Various Suppliers	396 750	210 758	607 508
Most of the deviations for the month was due to the fact that only one or two service providers were available locally to deliver the required service and/or goods, due to the specific nature of the service and/or goods required. The largest contributor to deviations for the month was due to the fact that only Mbewentele and one other supplier responded on Notice 48/2016.	May 2016	Various Suppliers	255 193	300 242	555 435
None were identified.	June 2016	Various Suppliers	-	-	-

53.9 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:

		Lost Units	Tariff	Value
30 June 2016	Unaccounted Electricity Losses	<u>7 905 650</u>	<u>0.8800</u>	<u>6 956 972</u>
30 June 2015	Unaccounted Electricity Losses	<u>6 700 414</u>	<u>0.7900</u>	<u>5 293 327</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). 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.

Volumes in kWh/year:

System Input Volume	59 503 530	56 896 563
Billed Consumption	<u>(51 597 880)</u>	<u>(45 571 588)</u>
Unaccounted	7 905 650	11 324 975
Normal distribution losses - % of electricity purchases	<u>(4 760 282)</u>	<u>(4 551 725)</u>
Distribution Loss	<u>3 145 368</u>	<u>6 773 250</u>
Percentage Distribution Loss	5.29%	11.90%

Water:

		Lost Units	Tariff	Value
30 June 2016	Unaccounted Water Losses	<u>836 826</u>	<u>0.8067</u>	<u>675 068</u>
30 June 2015	Unaccounted Water Losses	<u>371 542</u>	<u>0.8361</u>	<u>310 646</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 problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repairs as soon as they are reported.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
54. COMMITMENTS FOR EXPENDITURE		
54.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	8 067 626	-
<i>Infrastructure</i>	8 067 626	-
- Approved but Not Yet Contracted for:-	-	-
<i>Infrastructure</i>	-	-
<i>Other</i>	-	-
Total Capital Commitments	8 067 626	-
This expenditure will be financed from:		
<i>Government Grants</i>	7 102 685	-
Own Resources	964 941	-
	8 067 626	-

54.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 7.

54.3 Other Commitments

The Municipality has entered into a contract with SmartMetro for the development of a revenue enhancement strategy and the implementation thereof. No claims have been made by the contractor in respect to any savings made.

The Municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings. To date no savings have been claimed and the Municipality does not have any outstanding commitment in respect to the contractor.

The Municipality has entered into a contract with Fortogenic Solutions for the Provision of an Employee Wellness and Health Programme. At yearend, the remaining contract value amounted to R0 (2015: R1)

55. FINANCIAL INSTRUMENTS

55.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Fair value	26 120	25 639
Long-term Receivables			
Other Loans	Amortised cost	1 369	1 264
Receivables from Exchange Transactions			
Electricity	Amortised cost	12 047 068	9 805 926
Refuse	Amortised cost	4 250 844	3 525 772
Sewerage	Amortised cost	9 490 838	6 597 328
Water	Amortised cost	20 455 465	11 820 505
Other Receivables	Amortised cost	292 662	168 638
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	5 429 801	6 414 837
Payments made in Advance	Amortised cost	214 386	-
Sundry Deposits	Amortised cost	985 250	985 250
Sundry Debtors	Amortised cost	7 365 918	12 397 316
Cash and Cash Equivalents			
Call Deposits	Amortised cost	12 171 836	11 284 644
Notice Deposits	Amortised cost	2 463 746	901 386
Bank Balances	Amortised cost	209 044	95 714
Cash Floats and Advances	Fair value	2 600	2 800

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
55. FINANCIAL INSTRUMENTS (continued)		
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost:		
Long-term Receivables	1 369	1 264
Receivables from Exchange Transactions	12 047 068	9 805 926
Receivables from Exchange Transactions	4 250 844	3 525 772
Receivables from Exchange Transactions	9 490 838	6 597 328
Receivables from Exchange Transactions	20 455 465	11 820 505
Receivables from Exchange Transactions	292 662	168 638
Receivables from Non-exchange Transactions	5 429 801	6 414 837
Receivables from Non-exchange Transactions	214 386	-
Receivables from Non-exchange Transactions	985 250	985 250
Receivables from Non-exchange Transactions	7 365 918	12 397 316
Cash and Cash Equivalents	12 171 836	11 284 644
Cash and Cash Equivalents	2 463 746	901 386
Cash and Cash Equivalents	209 044	95 714
	75 378 227	63 998 580
Financial Assets at Fair Value:		
Non-current Investments	26 120	25 639
Cash and Cash Equivalents	2 600	2 800
	28 720	28 439
Total Financial Assets	75 406 947	64 027 020

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	1 415 726	5 690 351
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	16 004 071	2 267 848
Payments Received in Advance	Amortised cost	6 030 581	1 449 985
Retentions	Amortised cost	721 662	449 602
Staff Bonuses	Amortised cost	2 233 942	2 056 538
Sundry Deposits	Amortised cost	292 170	266 743
Other Creditors	Amortised cost	6 343 633	6 941 255
Salary Control Account	Amortised cost	(1 944)	600 859
Accrued Leave	Amortised cost	5 868 990	5 602 285
Payables from Non-exchange Transactions			
Payments Received in Advance	Amortised cost	1 780 812	1 609 422
Bank Overdraft			
Bank Overdraft	Amortised cost	7 320 915	13 588 146
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	707 863	2 478 337

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
		R	R
55. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	1 415 726	5 690 351
Payables from Exchange Transactions	Trade Creditors	16 004 071	2 267 848
Payables from Exchange Transactions	Payments Received in Advance	6 030 581	1 449 985
Payables from Exchange Transactions	Retentions	721 662	449 602
Payables from Exchange Transactions	Staff Bonuses	2 233 942	2 056 538
Payables from Exchange Transactions	Sundry Deposits	292 170	266 743
Payables from Exchange Transactions	Other Creditors	6 343 633	6 941 255
Payables from Exchange Transactions	Salary Control Account	(1 944)	600 859
Payables from Exchange Transactions	Accrued Leave	5 868 990	5 602 285
Payables from Non-exchange Transactions	Payments Received in Advance	1 780 812	1 609 422
Bank Overdraft	Bank Overdraft	7 320 915	13 588 146
Current Portion of Long-term Liabilities	Annuity Loans	707 863	2 478 337
		48 718 422	43 001 373
Total Financial Liabilities		48 718 422	43 001 373

55.2 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 such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value 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.

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 ratios 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

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.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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55. FINANCIAL INSTRUMENTS (continued)

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 the level of fair-value hierarchy as required by GRAP 104. 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. 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.

30 June 2016	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	26 120	-	-	26 120
Cash and Cash Equivalents	-	2 600	-	2 600
Total Financial Assets	26 120	2 600	-	28 720
Total Financial Instruments	26 120	2 600	-	28 720
30 June 2015	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	25 639	-	-	25 639
Cash and Cash Equivalents	-	2 800	-	2 800
Total Financial Assets	25 639	2 800	-	28 439
Total Financial Instruments	25 639	2 800	-	28 439

55.3 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 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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55. FINANCIAL INSTRUMENTS (continued)

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 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	1 684 168	3 212 014
Cash and Cash Equivalents	(7 523 712)	1 306 402
Net Debt	(5 839 544)	4 518 416
Equity	862 806 088	920 242 753
Net debt to equity ratio	-0.68%	0.49%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

55.4 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.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department 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. 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.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

55.5 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual 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 operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures 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 in 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 contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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55. FINANCIAL INSTRUMENTS (continued)

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 all 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 56.8 to the Annual Financial Statements.

55.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.7 below). 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.

55.6.1 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.

55.6.2 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.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial 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

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2016 would have increased / decreased by R111 (2015: R111).
This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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55. FINANCIAL INSTRUMENTS (continued)

55.7 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 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/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed 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 municipal area and consequently incur debt for rates, water and electricity services

The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 110(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;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed
- 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

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 in terms of the Credit Control and Debt Collection Policy.

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.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as

Fixed Deposit Investments	26 120	25 639
Long-term Receivables	1 369	1 264
Receivables from Exchange Transactions	111 314 085	93 769 200
Receivables from Non-exchange Transactions	101 540 838	79 266 042
Bank, Cash and Cash Equivalents	7 523 712	(1 306 402)
Maximum Credit and Interest Risk Exposure	220 406 123	171 755 744

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
55. 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	89.37%	81.58%
- Industrial / Commercial	7.45%	6.15%
- National and Provincial Government	3.08%	12.27%
- Other Classes	0.09%	0.00%
Total Credit Risk	100.00%	100.00%
Bank and Cash Balances		
ABSA Bank Ltd	5 005 871	(2 210 608)
First National Bank	2 487	2 474
Nedbank	1 425 470	892 471
Standard Bank	1 087 284	6 461
Cash Equivalents	2 600	2 800
Total Bank and Cash Balances	7 523 712	(1 306 402)
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 1	1 369	1 264
Total Long-term Receivables	1 369	1 264
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	1 434 194	3 916 652
Group 2	45 059 392	28 001 518
Group 3	64 731 900	61 851 031
	111 225 485	93 769 200
Total Receivables from Exchange Transactions	111 225 485	93 769 200
Receivables from Non-exchange Transactions		
Group 1	2 224 704	1 437 579
Group 2	2 844 088	4 977 258
Group 3	7 613 581	10 499 979
Total Receivables from Non-exchange Transactions	12 682 373	16 914 817

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is low.
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

55. FINANCIAL INSTRUMENTS (Continued)

55.8 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 50 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.

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	R
30 June 2016								
Non-interest Bearing			39 273 918	39 273 918	-	-	-	-
- Payables from Exchange transactions	15	0.00%	37 493 106	37 493 106	-	-	-	-
- Payables from Non-exchange transactions	16	0.00%	1 780 812	1 780 812	-	-	-	-
Variable Interest Rate Instruments			8 372 922	7 499 624	178 709	463 059	231 530	-
- Bank Overdraft	5	9.50%	7 320 915	7 320 915	-	-	-	-
- ABSA Bank	19	9.75%	1 052 007	178 709	178 709	463 059	231 530	-
Fixed Interest Rate Instruments			750 154	375 077	375 077	-	-	-
- DBSA	19	10.00%	-	-	-	-	-	-
- DBSA	19	12.00%	750 154	375 077	375 077	-	-	-
			48 396 994	47 148 619	553 786	463 059	231 530	-
30 June 2015								
Non-interest Bearing			-	-	-	-	-	-
- Payables from Exchange transactions	15	0.00%	19 635 116	-	-	-	-	-
- Payables from Exchange transactions	16	0.00%	1 609 422	-	-	-	-	-
Variable Interest Rate Instruments			16 490 556	14 749 110	1 160 964	580 482	-	-
- Bank Overdraft	5	9.50%	13 588 146	13 588 146	-	-	-	-
- ABSA Bank	19	9.50%	2 902 411	1 160 964	1 160 964	580 482	-	-
Fixed Interest Rate Instruments			2 319 573	486 124	486 124	972 248	375 077	-
- DBSA	19	10.00%	444 188	111 047	111 047	222 094	-	-
- DBSA	19	12.00%	1 875 385	375 077	375 077	750 154	375 077	-
			18 810 129	15 235 234	1 647 088	1 552 730	375 077	-

The Municipality has access to financing facilities, the total unused amount which is R121 265 (2015: R1 000 000), 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.

55.9 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R 2015
R

56. 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 R7 975 245 (2015: R7 160 963) 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

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). 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 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) 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.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1 310,754 (30 June 2009: R1 357,463) 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R 2015
R

56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439.2 (30 June 2012: R8 753.4) million, with funding levels of 100.0% (30 June 2012: 100.0%). 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.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7.50%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

57. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

57.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Manuel MF	Director: Chief Financial Officer	Institute of Municipal Finance Officers (section 21 company)

57.2 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	Total Charges R
For the Year ended 30 June 2016				
Councillors	41 056	81 252	12 365	134 673
Municipal Manager and Section 57 Personnel	24 355	46 187	9 160	79 702
Total Services	65 411	127 440	21 524	214 375
For the Year ended 30 June 2015				
Councillors	38 049	80 223	10 045	128 317
Municipal Manager and Section 57 Personnel	25 661	45 850	9 433	80 944
Total Services	63 710	126 073	19 478	209 261

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.

57.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

57.4 Compensation of Related Parties

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.		
57. RELATED PARTY TRANSACTIONS (continued)		
57.5 Purchases from Related Parties		
The Municipality did not buy goods from any companies which can be considered to be Related Parties.		
58. CONTINGENT LIABILITIES		
Department of Safety and Liaison: Motor Registration Fees	1 355 739	1 355 739
The Municipality received correspondence from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R1 355 739.		
The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the EM and DSL met and agree that a proper investigation should be conducted into these claims of outstanding fees.		
To date the investigation has not taken place and will be conducted before the end of the 2014/2015 financial year of DSL. A complete report will be prepared after the investigation has been completed. The amount of R1 355 739 that the DSL claims that the Municipality owes them has therefore not yet been substantiated and the exact amount will only be determined once the investigation has been completed.		
Telkom SA Limited	35 568	35 568
The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. The Municipality is busy addressing this matter.		
Katy Sigonyela	50 000	50 000
The Municipality is being sued by the abovementioned plaintiff for a erf paid for, but never transferred. The erf in question is Erf 405, Nonzwakazi. The Municipality is still investigating the matter.		
Educatory Electro Services CC t/a EE Services	116 472	-
Claim amount of R116 472 plus interest at the rate of 9% per annum and costs of suit claimed against the Municipality.		
Julia van Staden	50 000	-
Claim for undisclosed amount of legal fees. If successful sum can be anything between R30 000 and R50		
59. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
60. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
61. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
62. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.		
63. COMPARATIVE FIGURES		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 45) and Prior Period Errors (Note 46).

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

64. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

- (i) On 31 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
ANNUITY LOANS								
DBSA	1 809 999	10.00%	1150 563	2016/03/31	211 589	-	(211 589)	-
DBSA	4 981 693	12.00%	1150 566	2017/03/31	1 338 155	-	(630 292)	707 863
ABSA	9 000 000	9.00%	30 3336 7955	2016/03/31	1 662 271	-	(1 662 271)	-
Total Annuity Loans	15 791 692				3 212 014	-	(2 504 151)	707 863
FINANCE LEASES								
Fintech	59 091	15.53%	869963-1	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-2	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-4	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-4	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-5	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-6	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-7	2018/12/01	-	59 091	(9 193)	49 898
Fintech	59 091	15.53%	869963-8	2018/12/01	-	59 091	(9 193)	49 898
Fintech	81 735	15.53%	869963-9	2018/12/01	-	81 735	(12 716)	69 020
Fintech	81 735	15.53%	869963-10	2018/12/01	-	81 735	(12 716)	69 020
Fintech	81 735	15.53%	869963-11	2018/12/01	-	81 735	(12 716)	69 020
Fintech	107 685	15.53%	869963-12	2018/12/01	-	107 685	(16 753)	90 933
Fintech	107 685	15.53%	869963-13	2018/12/01	-	107 685	(16 753)	90 933
Fintech	121 265	15.53%	869963-14	2018/12/01	-	121 265	(18 865)	102 400
Fintech	50 801	15.53%	869963-15	2018/12/01	-	50 801	(7 903)	42 898
Fintech	50 801	15.53%	869963-16	2018/12/01	-	50 801	(7 903)	42 898
Total Finance Leases	330 552				-	1 156 171	(179 866)	976 305
TOTAL EXTERNAL LOANS	16 122 244				3 212 014	1 156 171	(2 684 018)	1 684 168

ANNUITY LOANS:

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.

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

FINANCE LEASES:

Fintech Loans (Various):

Structured secured 3 year finance leases for the purchase of IT equipment. Original finance lease amount of R1 156 171 and is repayable monthly in fixed instalments of capital and fixed rate interest of R40 371 .

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.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Land	16 162 521	-	-	-	-	16 162 521	-	-	-	-	16 162 521
Buildings	262 692 535	8 640	-	235 000	-	262 936 175	150 145 200	11 055 572	-	161 200 771	101 735 404
Total	278 855 056	8 640	-	235 000	-	279 098 696	150 145 200	11 055 572	-	161 200 771	117 897 925
Infrastructure											
<i>Electricity</i>											
Electricity Network	192 681 361	-	-	2 390 399	-	195 071 761	120 262 343	4 833 119	-	125 095 461	69 976 299
<i>Roads</i>											
Roads and Stormwater Network	1 248 408 799	-	-	6 639 457	-	1 255 048 256	757 265 780	25 827 778	-	783 093 557	471 954 699
<i>Solid Waste</i>											
Landfill Sites	14 924 060	-	-	-	-	14 924 060	3 289 403	555 760	-	3 845 163	11 078 897
<i>Sanitation</i>											
Sewer Network	108 317 649	-	-	1 164 950	-	109 482 599	64 846 656	3 352 276	-	68 198 933	41 283 667
<i>Water</i>											
Water Network	312 390 995	-	-	-	-	312 390 995	202 108 303	14 724 826	-	216 833 129	95 557 866
Total	1 876 722 865	-	-	10 194 806	-	1 886 917 671	1 147 772 485	49 293 759	-	1 197 066 243	689 851 428
Leased Assets											
Office Equipment	-	1 156 171	-	-	-	1 156 171	-	217 508	-	217 508	938 663
Total	-	1 156 171	-	-	-	1 156 171	-	217 508	-	217 508	938 663
Other Assets											
<i>Computer Equipment</i>											
Computer Hardware Including Operating Systems	2 757 607.94	71 953.20	-	-	-515 309.26	2 314 251.88	1 911 844.21	215 942.48	-346 705.06	1 781 081.62	533 170.26
<i>Furniture And Office Equipment</i>											
Advertising Boards	3 345 360.67	-	-	-	-520.00	3 344 840.67	1 229 216.36	223 090.92	-464.14	1 451 843.14	1 892 997.53
Air Conditioners Individual Fixed and Movable	415 474.63	73 464.58	-	-	-	488 939.21	308 547.47	32 988.84	-	341 536.31	147 402.90
Domestic and Hostel Furniture	88 175.00	-	-	-	-27 749.00	60 426.00	42 558.52	7 282.66	-9 123.52	40 717.65	19 708.35
Fixtures and Fittings	508 177.37	3 154.39	-	-	-	511 331.75	378 144.33	20 436.17	-	398 580.50	112 751.26
Office Equipment Including Fax Machines	832 946.76	-	-	-	-17 041.82	815 904.94	599 721.43	38 665.73	-14 447.48	623 939.68	191 965.26
Office Furniture	3 342 368.76	59 290.73	-	-	-139 650.97	3 262 008.52	2 476 648.32	151 587.05	-108 223.84	2 520 011.53	741 996.99

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<i>Machinery and Equipment</i>											
Audiovisual Equipment	203 515.96	5 756.00	-	-	-45 045.04	164 226.92	139 831.48	13 091.64	-35 730.17	117 192.95	47 033.97
Domestic Equipment (Non Kitchen Appliances)	151 625.90	4 033.34	-	-	-10 617.95	145 041.29	99 340.29	9 635.64	-7 633.18	101 342.75	43 698.54
Fire Arms	41 488.00	-	-	-	-	41 488.00	28 004.40	2 872.25	-	30 876.65	10 611.35
Fire Fighting Equipment	57 030.00	-	-	-	-2 625.00	54 405.00	49 257.69	738.38	-2 359.96	47 636.11	6 768.89
Gardening Equipment	158 396.91	-	-	-	-3 290.00	155 106.91	115 492.01	10 972.69	-2 821.68	123 643.02	31 463.89
Kitchen Appliances	146 552.78	4 507.06	-	-	-5 399.00	145 660.85	112 526.39	5 935.53	-4 460.62	114 001.30	31 659.54
Laboratory Equipment Agricultural	9 300.00	-	-	-	-	9 300.00	6 695.70	372.07	-	7 067.77	2 232.23
Laboratory Equipment Medical Testing	9 993.00	4 879.70	-	-	-	10 872.70	5 267.06	835.28	-	6 102.34	4 770.36
Machines For Textile Production	1 393.00	-	-	-	-	1 393.00	877.59	125.37	-	1 002.96	390.04
Medical and Allied Equipment	31 365.84	-	-	-	-6 334.00	25 031.84	21 229.68	2 597.80	-5 130.64	18 696.94	6 334.90
Meters Prepaid	22 591.37	-	-	-	-5 263.79	17 327.58	18 646.48	900.34	-4 195.99	15 350.82	1 976.76
Music Instruments	130 000.00	-	-	-	-	130 000.00	81 900.00	5 384.66	-	87 284.66	42 715.34
Pumps, Plumbing, Purification, Sanitation and Allied Equipme	64 268.36	-	-	-	-	64 268.36	53 182.95	1 354.61	-	54 537.57	9 730.79
Radio Equipment	89 644.29	-	-	-	-9 708.70	79 935.59	46 408.66	8 280.57	-5 291.22	49 998.01	30 537.58
Road Construction and Maintenance Equipment	5 091 895.57	-	-	-	-8 400.00	5 083 495.57	2 208 122.83	317 615.44	-6 048.00	2 519 690.26	2 563 805.31
Security and Access Control Units	129 178.92	-	-	-	-	129 178.92	54 535.01	10 364.68	-	64 899.68	64 279.24
Telecommunication Equipment	528 893.95	-	-	-	-	528 893.95	466 567.58	3 044.18	-	469 611.77	59 282.18
Workshop Equipment and Loose Tools Fixed	82 802.00	-	-	-	-25 867.00	56 935.00	59 040.94	4 729.19	-19 982.32	43 787.80	13 147.20
Workshop Equipment and Loose Tools Movable	907 532.82	38 962.04	-	-	-83 906.36	862 588.50	664 411.68	47 690.27	-48 261.38	663 840.57	198 747.93
<i>Transport Assets</i>											
Bicycles	2 400.00	-	-	-	-	2 400.00	2 400.00	-	-	2 400.00	-
Motor Vehicles	4 142 969.02	-	-	-	-871 790.12	3 271 178.90	1 970 795.15	118 549.86	-673 357.56	1 415 987.45	1 855 191.46
Trailers and Accessories	248 511.38	13 596.49	-	-	-	262 107.88	123 596.92	5 252.48	-	128 849.39	133 258.48
Trucks	5 226 419.64	-	-	-	-33 606.71	5 192 812.93	1 946 364.94	141 089.32	-15 758.96	2 071 695.29	3 121 117.64
Total	28 763 880	279 598	-	-	(1 812 125)	27 231 353	15 221 176	1 401 426	(1 309 996)	15 312 606	11 918 746
Total	2 184 341 801	1 444 409	-	10 429 806	(1 812 125)	2 194 403 891	1 313 138 861	61 968 264	(1 309 996)	1 373 797 129	820 606 762

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<i>Heritage</i>											
Historic buildings	5 634 573	-	-	-	-	5 634 573	-	-	-	-	5 634 573
Collectables and other	475 500	-	-	-	-	475 500	-	-	-	-	475 500
Jewelry	849 200	-	-	-	-	849 200	-	-	-	-	849 200
Total	6 959 273	-	-	-	-	6 959 273	-	-	-	-	6 959 273

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R	R	R	R	R	R	R	R	R	R
Investment Properties										
Land	5 004 000	-	-	-	-	5 004 000	-	-	-	-
Total	5 004 000	-	-	-	-	5 004 000	-	-	-	5 004 000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Computer Software	1 999 458	6 318	-	-	-	2 005 776	1 764 065	159 594	-	1 923 659
Total	1 999 458	6 318	-	-	-	2 005 776	1 764 065	159 594	-	1 923 659
Total Asset Register	2 191 345 259	1 450 727	-	10 429 806	(1 812 125)	2 201 413 667	1 314 902 925	62 127 858	(1 309 996)	1 375 720 788

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	1 554 485	160 953	-	(454 129)	1 261 308	873 101	120 388	(429 128)	564 361	696 947
Finance and Administration	3 201 274	498 975	-	(523 366)	3 176 883	1 962 170	311 431	(358 602)	1 914 999	1 261 884
Planning and Development	278 855 056	296 681	235 000	-	279 386 737	150 145 200	11 109 760	-	161 254 960	118 131 777
Community and Social Services	5 231 128	248 603	-	(285 661)	5 194 071	3 702 502	262 410	(173 207)	3 791 705	1 402 366
Health	105 476	-	-	(18 284)	87 192	83 780	4 191	(15 530)	72 442	14 750
Housing	15 494 984	66 298	-	(506 661)	15 054 622	7 104 454	664 052	(313 271)	7 455 235	7 599 387
Roads and Transport	395 133 714	65 212	6 639 457	(24 023)	401 814 360	248 423 395	8 019 960	(20 257)	256 423 097	145 391 263
Electricity	1 023 922 289	107 685	2 390 399	-	1 026 420 374	630 604 095	22 267 042	-	652 871 137	373 549 236
Waste Management	117 956 099	-	1 164 950	-	119 121 049	68 136 059	3 565 396	-	71 701 455	47 419 594
Water	342 887 296	-	-	-	342 887 296	202 104 104	15 643 635	-	217 747 738	125 139 557
Total	2 184 341 801	1 444 409	10 429 806	(1 812 125)	2 194 403 891	1 313 138 861	61 968 264	(1 309 996)	1 373 797 129	820 606 762

**EMTHANJENI LOCAL MUNICIPALITY
APPENDIX D**

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
4 792 454	(15 419 900)	(10 627 446)	Executive and Council	3 528 047	(14 305 419)	(10 777 372)
38 453 240	(28 265 369)	10 187 870	Finance and Administration	42 082 333	(34 129 388)	7 952 945
897 011	(19 447 097)	(18 550 086)	Planning and Development	999 275	(20 881 894)	(19 882 620)
-	(7 121)	(7 121)	Health	-	(261 960)	(261 960)
1 515 737	(25 063 365)	(23 547 628)	Community and Social Services	1 905 605	(27 874 423)	(25 968 817)
677 719	(4 452 101)	(3 774 382)	Housing	57 314	(10 853 597)	(10 796 284)
23 179 659	(8 026 490)	15 153 169	Public Safety	19 318 255	(8 044 369)	11 273 886
112 445	(4 141 591)	(4 029 146)	Sport and Recreation	182 186	(4 118 502)	(3 936 316)
-	-	-	Environmental Protection	-	-	-
43 653 254	(30 080 081)	13 573 173	Waste Management	39 575 020	(46 798 278)	(7 223 258)
10 147 287	(18 971 744)	(8 824 457)	Roads and Transport	8 073 188	(11 466 379)	(3 393 191)
27 325 462	(30 122 894)	(2 797 432)	Water	29 827 017	(27 624 210)	2 202 807
67 029 700	(80 275 166)	(13 245 466)	Electricity	72 861 560	(67 874 439)	4 987 122
-	(1 622 637)	(1 622 637)	Other	-	(1 613 606)	(1 613 606)
217 783 967	(265 895 556)	(48 111 589)	Sub-Total	218 409 800	(275 846 465)	(57 436 664)
			Revenue Foregone			
217 783 967	(265 895 556)	(48 111 589)	Total	218 409 800	(275 846 465)	(57 436 664)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015					
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
REVENUE - STANDARD																
Government and Administration:																
Executive and Council	3 335 000	-	3 335 000	-	-	3 335 000	3 526 047	-	(2 127 065)	(31.69%)	(63.78%)	-	-	-	-	4 792 454
Finance and Administration	43 012 000	-	43 012 000	-	-	43 012 000	42 082 333	-	(43 932 275)	(51.07%)	(102.14%)	-	-	-	-	37 474 058
Community and Public Safety:																
Community and Social Services	1 844 000	-	1 844 000	-	-	1 844 000	1 905 605	-	(1 782 395)	(48.33%)	(96.66%)	-	-	-	-	1 515 737
Sport and Recreation	114 000	-	114 000	-	-	114 000	182 186	-	(45 814)	(20.09%)	(40.19%)	-	-	-	-	112 445
Public Safety	8 232 000	-	8 232 000	-	-	8 232 000	19 318 255	-	(11 430 605)	(69.43%)	(138.86%)	-	-	-	-	23 179 659
Housing	39 000	-	39 000	-	-	39 000	97 314	-	(20 987)	(26.52%)	(53.04%)	-	-	-	-	677 719
Economic and Environmental Services:																
Planning and Development	3 395 000	-	3 395 000	-	-	3 395 000	999 275	-	(5 790 725)	(85.28%)	(170.57%)	-	-	-	-	897 011
Road Transport	9 715 000	-	9 715 000	-	-	9 715 000	8 073 188	-	(12 079 522)	(62.17%)	(124.34%)	-	-	-	-	10 147 287
Trading Services:																
Electricity	83 494 000	(3 500 000)	79 994 000	-	-	79 994 000	72 861 560	-	(85 230 968)	(53.27%)	(102.08%)	-	-	-	-	67 029 700
Water	41 211 000	(10 700 000)	30 511 000	-	-	30 511 000	29 827 017	-	(31 194 983)	(51.12%)	(75.70%)	-	-	-	-	27 325 462
Waste Management	73 871 000	(33 167 000)	40 704 000	-	-	40 704 000	39 375 020	-	(41 832 980)	(51.39%)	(56.63%)	-	-	-	-	43 653 254
Other:																
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	268 262 000	(47 367 000)	220 895 000			220 895 000	218 409 900		(235 468 018)	#####	(87.78)%					216 804 785
EXPENDITURE - STANDARD																
Government and Administration:																
Executive and Council	13 292 000	(473 000)	12 819 000	-	-	12 819 000	14 395 419	-	(11 571 629)	(45.13%)	(87.06%)	-	-	-	-	15 419 900
Budget and Treasury Office	32 794 000	(150 000)	32 644 000	-	-	32 644 000	34 129 388	-	(32 735 505)	(50.14%)	(96.92%)	-	-	-	-	28 265 369
Community and Public Safety:																
Community and Social Services	11 629 000	130 000	11 759 000	-	-	11 759 000	27 874 423	-	(15 647 089)	(66.53%)	(134.55%)	-	-	-	-	25 063 365
Sport and Recreation	4 162 000	4 000	4 166 000	-	-	4 166 000	4 118 502	-	(4 213 498)	(50.57%)	(101.24%)	-	-	-	-	4 141 591
Public Safety	10 818 000	(60 000)	10 758 000	-	-	10 758 000	8 044 369	-	(13 471 631)	(62.51%)	(124.53%)	-	-	-	-	8 026 490
Housing	2 218 000	-	2 218 000	-	-	2 218 000	10 933 597	-	(1 502 047)	(33.86%)	(67.72%)	-	-	-	-	4 452 191
Health	183 000	-	183 000	-	-	183 000	261 960	-	(364 594)	(99.62%)	(199.23%)	-	-	-	-	7 121
Economic and Environmental Services:																
Planning and Development	10 863 000	6 000	10 869 000	-	-	10 869 000	20 881 894	-	(11 586 311)	(54.21%)	(108.47%)	-	-	-	-	19 447 097
Road Transport	16 493 000	-	16 493 000	-	-	16 493 000	11 466 379	-	(22 183 554)	(67.25%)	(134.50%)	-	-	-	-	18 971 744
Trading Services:																
Electricity	69 900 000	(424 000)	69 476 000	-	-	69 476 000	67 874 439	-	(74 865 359)	(53.88%)	(107.10%)	-	-	-	-	80 275 166
Water	15 894 000	(1 100 000)	14 794 000	-	-	14 794 000	27 624 210	-	(17 875 660)	(59.74%)	(111.21%)	-	-	-	-	30 122 894
Waste Management	32 109 000	(2 955 000)	29 144 000	-	-	29 144 000	46 798 278	-	(33 799 429)	(57.99%)	(105.26%)	-	-	-	-	30 080 081
Other:																
Other	739 000	-	739 000	-	-	739 000	1 613 606	-	135 606	9.17%	18.35%	-	-	-	-	1 622 637
Total Expenditure - Standard	220 894 000	(5 032 000)	215 862 000			215 862 000	275 846 465		(239 460 700)	#####	(108.41)%					265 895 556
Surplus/(Deficit) for the year	47 368 000	(42 335 000)	5 033 000			5 033 000	(57 436 564)		3 992 682	#####	8.43%					(49 090 771)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised I.O. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Executive and Council	3 335 000	-	3 335 000	-	-	3 335 000	3 528 047	-	1 207 935	36.22%	36.22%	-	-	-	4 792 454
Vote 2 - Finance and Administration	43 012 000	-	43 012 000	-	-	43 012 000	42 082 333	-	(920 275)	(2.14%)	(2.14%)	-	-	-	37 474 058
Vote 3 - Planning and Development	3 385 000	-	3 385 000	-	-	3 385 000	959 275	-	(2 395 725)	(70.57%)	(70.57%)	-	-	-	597 011
Vote 4 - Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services	1 844 000	-	1 844 000	-	-	1 844 000	1 905 605	-	61 605	3.34%	3.34%	-	-	-	1 515 737
Vote 6 - Public Safety	8 232 000	-	8 232 000	-	-	8 232 000	19 318 255	-	(3 198 605)	(38.86%)	(38.86%)	-	-	-	23 179 659
Vote 7 - Sports and Recreation	114 000	-	114 000	-	-	114 000	182 186	-	68 186	59.81%	59.81%	-	-	-	112 445
Vote 8 - Road Transport	9 715 000	-	9 715 000	-	-	9 715 000	8 073 188	-	(2 364 522)	(24.34%)	(24.34%)	-	-	-	10 147 287
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing Services	39 000	-	39 000	-	-	39 000	57 314	-	18 314	46.96%	46.96%	-	-	-	677 719
Vote 11 - Waste Management	73 871 000	(33 167 000)	40 704 000	-	-	40 704 000	39 575 020	-	(1 128 980)	(2.77%)	(2.77%)	-	-	-	43 653 254
Vote 12 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Electricity	83 494 000	(3 500 000)	79 994 000	-	-	79 994 000	72 861 560	-	(5 236 968)	(6.55%)	(6.27%)	-	-	-	67 029 700
Vote 14 - Water	41 211 000	(10 700 000)	30 511 000	-	-	30 511 000	29 827 017	-	(683 983)	(2.24%)	(1.66%)	-	-	-	27 325 462
Total Revenue by Vote	268 262 000	(47 367 000)	220 895 000			220 895 000	218 409 800		(14 573 018)	*****	(5.43%)				216 804 785
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	13 292 000	(473 000)	12 819 000	-	-	12 819 000	14 305 419	-	1 247 371	9.73%	9.38%	-	-	-	15 419 900
Vote 2 - Finance and Administration	32 794 000	(150 000)	32 644 000	-	-	32 644 000	34 129 388	-	(91 505)	(0.28%)	(0.28%)	-	-	-	28 285 369
Vote 3 - Planning and Development	10 663 000	6 000	10 669 000	-	-	10 669 000	20 881 894	-	(977 311)	(9.41%)	(8.42%)	-	-	-	19 447 097
Vote 4 - Health	183 000	-	183 000	-	-	183 000	261 960	-	(181 594)	(99.23%)	(99.23%)	-	-	-	7 121
Vote 5 - Community and Social Services	11 629 000	130 000	11 759 000	-	-	11 759 000	27 874 423	-	(3 888 089)	(33.06%)	(33.43%)	-	-	-	25 063 365
Vote 6 - Public Safety	10 812 000	(80 000)	10 732 000	-	-	10 732 000	8 044 369	-	(2 713 831)	(25.22%)	(25.08%)	-	-	-	8 026 490
Vote 7 - Sports and Recreation	4 162 000	4 000	4 166 000	-	-	4 166 000	4 118 502	-	(47 498)	(1.14%)	(1.14%)	-	-	-	4 141 591
Vote 8 - Road Transport	16 493 000	-	16 493 000	-	-	16 493 000	11 468 379	-	(5 690 554)	(34.50%)	(34.50%)	-	-	-	18 971 744
Vote 9 - Other	739 000	-	739 000	-	-	739 000	1 613 606	-	874 606	116.35%	116.35%	-	-	-	1 622 637
Vote 10 - Housing Services	2 218 000	-	2 218 000	-	-	2 218 000	10 633 597	-	715 953	32.28%	32.28%	-	-	-	4 452 101
Vote 11 - Waste Management	32 109 000	(2 965 000)	29 144 000	-	-	29 144 000	46 798 278	-	(4 655 429)	(15.97%)	(14.50%)	-	-	-	30 080 081
Vote 12 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Electricity	69 900 000	(424 000)	69 476 000	-	-	69 476 000	67 874 439	-	(5 389 350)	(7.76%)	(7.71%)	-	-	-	80 275 166
Vote 14 - Water	15 894 000	(1 100 000)	14 794 000	-	-	14 794 000	27 624 210	-	(2 881 660)	(19.48%)	(18.13%)	-	-	-	30 122 884
Total Expenditure by Vote	220 894 000	(5 032 000)	215 862 000			215 862 000	275 846 465		(23 598 700)	*****	(10.68%)				265 995 556
Surplus/(Deficit) for the year	47 368 000	(42 335 000)	5 033 000			5 033 000	(57 436 664)		9 025 682	*****	19.05%				(49 090 771)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016										2015					
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Revenue by Source																
Property Rates	27 503 000	-	27 503 000	-	-	27 503 000	26 116 879	-	1 386 121	(5.04%)	(5.04%)	-	-	-	-	21 905 068
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	140 104	-	(140 104)	100.00%	100.00%	-	-	-	-	170 342
Service Charges - Electricity	57 935 000	(4 300 000)	53 635 000	-	-	53 635 000	67 805 345	-	(14 170 345)	29.95%	27.73%	-	-	-	-	59 854 848
Service Charges - Water	26 111 000	(700 000)	25 411 000	-	-	25 411 000	22 235 835	-	3 175 165	(12.50%)	(12.16%)	-	-	-	-	20 888 046
Service Charges - Sanitation	14 888 000	-	14 888 000	-	-	14 888 000	10 936 980	-	3 951 020	(60.28%)	(60.28%)	-	-	-	-	10 862 235
Service Charges - Refuse	8 937 000	-	8 937 000	-	-	8 937 000	5 913 071	-	3 023 929	22.38%	22.38%	-	-	-	-	5 922 484
Service Charges - Other	240 000	-	240 000	-	-	240 000	396 126	-	(156 126)	65.05%	65.05%	-	-	-	-	427 195
Rental of Facilities and Equipment	652 000	-	652 000	-	-	652 000	788 198	-	(136 198)	22.56%	22.56%	-	-	-	-	1 188 905
Interest Earned - External Investments	715 000	-	715 000	-	-	715 000	1 201 405	-	(486 405)	67.82%	67.82%	-	-	-	-	950 399
Interest Earned - Outstanding Debtors	873 000	-	873 000	-	-	873 000	558 134	-	314 866	(36.07%)	(36.07%)	-	-	-	-	645 761
Fines	7 581 000	-	7 581 000	-	-	7 581 000	19 399 400	-	(11 818 400)	(32.53%)	(32.53%)	-	-	-	-	23 010 886
Licences and Permits	2 099 000	-	2 099 000	-	-	2 099 000	619 586	-	1 579 414	(85.25%)	(85.25%)	-	-	-	-	1 256 930
Transfers Recognised - Operational	40 601 000	-	40 601 000	-	-	40 601 000	40 251 544	-	349 456	(0.86%)	(0.86%)	-	-	-	-	39 770 004
Other Revenue	23 434 000	800 000	24 234 000	-	-	24 234 000	2 601 180	-	21 632 820	(89.27%)	(92.31%)	-	-	-	-	7 251 038
Gains on Other Operations	-	-	-	-	-	-	481	-	(481)	100.00%	100.00%	-	-	-	-	4 551
Gains on Disposal of PPE	130 000	-	130 000	-	-	130 000	-	-	130 000	(29.73%)	(29.73%)	-	-	-	-	-
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	978 624
Total Revenue	211 699 000	(4 200 000)	207 499 000			207 499 000	198 864 267		8 634 733	*****	(9.98%)					194 873 316
Expenditure																
Employment Related Costs	66 804 000	-	66 804 000	-	-	66 804 000	70 984 361	-	(4 180 361)	6.34%	6.34%	-	-	-	-	66 864 269
Remuneration of Councilors	4 580 000	-	4 580 000	-	-	4 580 000	4 401 180	-	178 820	(3.90%)	(3.90%)	-	-	-	-	4 126 459
Collection Costs	-	-	-	-	-	-	492 164	-	(492 164)	100.00%	100.00%	-	-	-	-	283 077
Depreciation and Amortisation	9 248 000	-	9 248 000	-	-	9 248 000	62 116 769	-	(52 868 769)	(3.90%)	(3.90%)	-	-	-	-	61 385 742
Impairment Losses	11 429 000	(1 200 000)	10 229 000	-	-	10 229 000	30 653 311	-	(20 424 311)	4.04%	3.62%	-	-	-	-	35 712 096
Repairs and Maintenance	8 648 000	7 970 000	16 618 000	-	-	16 618 000	11 590 011	-	5 027 989	(30.39%)	(58.39%)	-	-	-	-	11 214 814
Finance Costs	2 556 000	1 000 000	3 556 000	-	-	3 556 000	1 791 341	-	1 764 659	(59.68%)	(63.63%)	-	-	-	-	1 335 550
Bulk Purchases	53 094 000	-	53 094 000	-	-	53 094 000	54 420 223	-	(1 326 223)	2.07%	2.07%	-	-	-	-	47 046 655
Contracted Services	8 629 000	700 000	10 329 000	-	-	10 329 000	9 081 774	-	1 247 226	(18.81%)	(20.17%)	-	-	-	-	7 799 898
Grants and Subsidies Paid	12 938 000	(1 276 000)	11 662 000	-	-	11 662 000	217 043	-	11 444 957	(97.02%)	(67.45%)	-	-	-	-	225 467
General Expenses	41 969 000	(12 225 000)	29 744 000	-	-	29 744 000	19 680 554	-	10 063 446	(34.81%)	(24.67%)	-	-	-	-	21 696 085
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	410 774	-	(410 774)	(34.81%)	(24.67%)	-	-	-	-	744 226
Inventory Written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	220 895 000	(6 031 000)	215 864 000			215 864 000	265 839 510		(49 975 510)	*****	(15.40%)					259 437 338
Surplus/(Deficit)																
Transfers Recognised - Capital	(9 196 000)	831 000	(8 365 000)	-	-	(8 365 000)	(66 975 243)	-	58 610 243	(154.04%)	(140.12%)	-	-	-	-	(63 564 021)
Transfers Recognised - Capital	56 565 000	(43 167 000)	13 398 000	-	-	13 398 000	9 538 577	-	3 859 423	(28.81%)	(6.82%)	-	-	-	-	14 473 251
Surplus/(Deficit) for the Year	47 369 000	(42 336 000)	5 033 000			5 033 000	(57 436 666)		62 469 666	*****	19.05%					(49 090 770)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2016					2015					Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget					Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Road Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Water	10 000 000	(10 000 000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	10 000 000	(10 000 000)													
Single-year Expenditure															
Vote 1 - Executive and Council	159 000	(70 000)	89 000	-	-	89 000	160 953	-	71 953	80.85%	45.25%	-	-	-	9 299
Vote 2 - Finance and Administration	1 897 000	(250 000)	1 647 000	-	-	1 647 000	483 659	-	(1 163 341)	70.63%	61.33%	-	-	-	173 655
Vote 3 - Planning and Development	12 000	-	12 000	-	-	12 000	295 269	-	283 269	2360.57%	2360.57%	-	-	-	-
Vote 5 - Community and Social Services	307 000	(100 000)	207 000	-	-	207 000	177 843	-	(29 157)	14.09%	9.50%	-	-	-	133 979
Vote 6 - Public Safety	88 000	-	88 000	-	-	88 000	79 081	-	(8 919)	10.14%	10.14%	-	-	-	-
Vote 7 - Sports and Recreation	261 000	-	261 000	-	-	261 000	-	-	261 000	100.00%	100.00%	-	-	-	-
Vote 8 - Road Transport	11 724 000	-	11 724 000	-	-	11 724 000	6 673 205	-	(5 050 795)	43.08%	43.08%	-	-	-	13 832 615
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44 770
Vote 10 - Housing Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management	31 000	-	31 000	-	-	31 000	-	-	(31 000)	100.00%	100.00%	-	-	-	-
Vote 12 - Waste Water Management	35 958 000	(33 167 000)	2 791 000	-	-	2 791 000	1 173 363	-	(1 617 637)	57.96%	4.50%	-	-	-	-
Vote 13 - Electricity	6 728 000	(4 626 000)	2 102 000	-	-	2 102 000	2 589 439	-	489 439	23.31%	7.28%	-	-	-	-
Vote 14 - Water	180 000	-	180 000	-	-	180 000	13 596	-	(166 404)	62.45%	62.45%	-	-	-	-
Total Capital Expenditure - Single-year	57 343 000	(38 213 000)	19 130 000			19 130 000	11 646 468		(7 483 592)						14 194 318
Total Capital Expenditure - Vote	67 343 000	(48 213 000)	19 130 000			19 130 000	11 646 468		(7 483 592)						14 194 318
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	159 000	(70 000)	89 000	-	-	89 000	160 953	-	71 953	80.85%	45.25%	-	-	-	9 299
Budget and Treasury Office	1 369 000	(250 000)	1 119 000	-	-	1 119 000	483 659	-	(635 341)	56.79%	46.41%	-	-	-	173 655
Corporate Services	528 000	-	528 000	-	-	528 000	295 269	-	(232 732)	44.08%	44.08%	-	-	-	-
Community and Public Safety:															
Community and Social Services	307 000	(100 000)	207 000	-	-	207 000	177 843	-	(29 157)	14.09%	9.50%	-	-	-	133 979
Sport and Recreation	261 000	-	261 000	-	-	261 000	-	-	(261 000)	100.00%	100.00%	-	-	-	-
Public Safety	88 000	-	88 000	-	-	88 000	79 081	-	(8 919)	10.14%	10.14%	-	-	-	-
Economic and Environmental Services:															
Planning and Development	12 000	-	12 000	-	-	12 000	-	-	(12 000)	100.00%	100.00%	-	-	-	-
Road Transport	11 724 000	-	11 724 000	-	-	11 724 000	6 673 205	-	(5 050 795)	43.08%	43.08%	-	-	-	13 832 615
Trading Services:															
Electricity	6 728 000	(4 626 000)	2 102 000	-	-	2 102 000	2 589 439	-	489 439	23.31%	7.28%	-	-	-	-
Water	10 180 000	(10 000 000)	180 000	-	-	180 000	13 596	-	(166 404)	62.45%	62.45%	-	-	-	-
Waste Management	35 958 000	(33 167 000)	2 822 000	-	-	2 822 000	1 173 363	-	(1 648 637)	58.42%	4.58%	-	-	-	-
Other:															
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44 770
Total Capital Expenditure - Standard	67 343 000	(48 213 000)	19 130 000			19 130 000	11 646 468		(7 483 592)						14 194 318
FUNDED BY:															
National Government	28 448 000	(16 540 000)	11 908 000	-	-	11 908 000	10 194 807	-	(1 713 193)	14.39%	6.02%	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	28 448 000	(16 540 000)	11 908 000			11 908 000	10 194 807		(1 713 193)	14.39%	6.02%				
Internally Generated Funds	6 141 000	(150 000)	5 991 000	-	-	5 991 000	205 431	-	(5 695 569)	69.07%	62.75%	-	-	-	-
Borrowings	6 000 000	-	6 000 000	-	-	6 000 000	1 156 171	-	(4 843 829)	60.73%	60.73%	-	-	-	-
Total Capital Funding	40 589 000	(16 690 000)	23 899 000			23 899 000	11 646 409		(12 252 591)						

**EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E(5)**

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2016						2015		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Rates, Penalties and Collection Charges	25 578 000	-	25 578 000	25 578 000	19 105 749	(6 472 251)	(25.30)%	(25.30)%	23 561 393
Service Charges	99 481 000	(1 650 000)	97 831 000	97 831 000	94 705 766	(3 125 234)	(3.19)%	(3.14)%	82 396 166
Other Revenue	32 048 000	800 000	32 848 000	32 848 000	8 812 554	(24 035 446)	(73.17)%	(75.00)%	8 203 528
Government - Operating	40 601 000	-	40 601 000	40 601 000	42 852 512	2 251 512	5.55%	5.55%	33 800 667
Government - Capital	56 565 000	(43 167 000)	13 398 000	13 398 000	10 774 586	(2 623 414)	(19.58)%	(4.64)%	17 108 000
Interest	715 000	-	715 000	715 000	1 759 539	1 044 539	146.09%	146.09%	1 596 161
Payments									
Suppliers and Employees	(184 234 000)	14 030 000	(170 204 000)	(170 204 000)	(154 337 123)	15 866 877	(9.32)%	(8.61)%	(151 309 192)
Finance Charges	(2 556 000)	(1 000 000)	(3 556 000)	(3 556 000)	(1 761 341)	1 794 659	(50.47)%	(70.21)%	(1 110 941)
Transfers and Grants	(12 938 000)	1 276 000	(11 662 000)	(11 662 000)	-	11 662 000	(100.00)%	(90.14)%	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	55 260 000	(29 711 000)	25 549 000	25 549 000	21 912 242	(3 636 758)			14 245 782
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	124 000	-	124 000	124 000	91 355	(32 645)	(26.33)%	(26.33)%	1 186 324
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	(105)	(105)	(100.00)%	(100.00)%	-
Decrease / (Increase) in Non-current Investments	2 800 000	(2 770 000)	30 000	30 000	-	(30 000)	(100.00)%	(1.07)%	(100)
Payments									
Capital Assets	(62 298 000)	43 177 000	(19 121 000)	(19 121 000)	(11 645 533)	7 475 468	(39.10)%	(12.00)%	(14 194 318)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(59 374 000)	40 407 000	(18 967 000)	(18 967 000)	(11 554 282)	7 412 718			(13 008 094)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase / (Decrease) in Consumer Deposits	135 000	-	135 000	135 000	-	(135 000)	(100.00)%	(100.00)%	-
New Loans raised	5 046 000	(5 046 000)	-	-	1 156 171	1 156 171	100.00%	100.00%	-
Payments									
Loans repaid	(4 084 000)	3 056 000	(1 028 000)	(1 028 000)	(2 684 018)	(1 656 018)	161.09%	40.55%	(2 776 889)
NET CASH FROM / (USED) FINANCING ACTIVITIES	1 097 000	(1 990 000)	(893 000)	(893 000)	(1 527 847)	(634 847)			(2 776 889)
NET INCREASE / (DECREASE) IN CASH HELD	(3 018 000)	8 706 000	5 688 000	5 688 000	8 830 114	3 142 114			(1 539 202)
Cash / Cash Equivalents at the Year begin:	3 624 000	(4 906 000)	(1 282 000)	(1 282 000)	(1 306 402)	(24 402)	1.90%	(0.67)%	232 800
Cash / Cash Equivalents at the Year end:	606 000	3 800 000	4 406 000	4 406 000	7 523 712	3 117 712	70.76%	514.47%	(1 306 402)

EMTHANJENI LOCAL MUNICIPALITY

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	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-	35 929 000	35 929 000	-	-	Yes	N/a
Library Grant	Provincial	-	1 142 000	1 142 000	-	-	Yes	N/a
EPWP	Nat Treasury	47 275	1 000 000	1 047 275	(0)	-	Yes	N/a
MIG	Nat Treasury	1 751 651	11 898 000	10 614 717	3 034 934	-	Yes	N/a
FMG	Nat Treasury	-	1 600 000	1 600 000	-	-	Yes	N/a
MSIG	Nat Treasury	-	930 000	930 000	-	-	Yes	N/a
DWA	Provincial	15 621	-	-	15 621	-	Yes	N/a
Nonzwakazi Revitalisation	Provincial	-	-	-	-	-	Yes	N/a
Phandulwazi Upgrade	Provincial	150 000	-	-	150 000	-	Yes	N/a
Housing Accreditation	Provincial	-	35 000	35 000	-	-	Yes	N/a
Department of Health	Provincial	-	-	-	-	-	Yes	N/a
Department of Education	Provincial	1 232 100	-	-	1 232 100	-	Yes	N/a
Department of Roads	Provincial	267 600	-	-	267 600	-	Yes	N/a
Fire Equipment	Provincial	39 188	-	-	39 188	-	Yes	N/a
INEP	Nat Treasury	257 245	1 500 000	1 500 211	257 034	-	Yes	N/a
Total Grants and Subsidies Received		3 760 679	54 034 000	52 798 202	4 996 476			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
Sthonga ST	-	532 324	-	200 109	6 787	-	-	739 220
Speaker								
Freddie MM	-	390 696	-	164 621	39 779	-	-	595 097
Councillors								
Kivedo MC	-	148 909	-	76 152	13 346	-	-	238 407
Jood J	-	137 529	-	76 152	24 755	-	-	238 436
Jonas VG	-	148 909	-	76 152	13 282	-	-	238 343
Thomas NS	-	160 454	-	76 152	2 123	-	-	238 729
Du Plessis WJ	-	148 909	-	76 152	13 282	-	-	238 343
Nyl GL	-	204 750	-	96 210	18 220	-	-	319 180
Nkumbi GL	-	148 909	-	76 152	13 282	-	-	238 343
Witbooi WA	-	156 206	-	70 446	1 956	-	-	228 609
Jaftha AF	-	204 749	-	96 210	18 220	-	-	319 179
Swanepoel B	-	191 100	-	91 306	17 013	-	-	299 420
Malherbe M	-	148 909	-	76 152	13 282	-	-	238 343
Rust HJ	-	169 477	-	40 668	21 385	-	-	231 530
Total for Councillors	-	2 891 827	-	1 292 639	216 714	-	-	4 401 180
Municipal Manager								
Visser I	-	811 100	206 204	272 736	158 823	-	99 740	1 548 602
Chief Financial Officer								
Manuel MF	-	782 830	157 933	246 732	150 263	-	6 449	1 344 207
Director: Community Services								
Diamane EV	-	524 717	80 447	132 871	153 640	-	26 331	918 006
Director: Corporate Services								
Jack MR	-	586 186	93 975	171 670	114 530	-	73 337	1 039 697
Director: Infrastructure and Technical Services								
Owies MJV	-	642 038	123 341	64 000	127 826	-	72 902	1 030 107
Total for Senior Managers	-	3 346 870	661 900	888 009	705 081	-	278 759	5 880 620
Total for Management	-	6 238 698	661 900	2 180 648	921 795	-	278 759	10 281 800

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
Sthonga ST	-	504 572	-	187 472	6 364	-	-	698 408
Speaker								
Freddie MM	-	335 274	-	154 151	70 774	-	-	560 199
Councillors								
Kivedo MC	-	128 281	-	70 852	23 664	-	-	222 797
Jood J	-	105 919	-	70 852	46 273	-	-	223 044
Jonas VG	-	128 281	-	70 852	23 664	-	-	222 797
Thomas NS	-	151 372	-	70 852	1 982	-	-	224 206
Du Plessis WJ	-	128 281	-	70 852	23 664	-	-	222 797
Nyl GL	-	176 387	-	89 589	32 499	-	-	298 474
Nkumbi GL	-	128 281	-	70 852	23 664	-	-	222 797
Witbooi WA	-	128 281	-	70 852	23 664	-	-	222 797
Jaftha AF	-	176 387	-	89 589	32 499	-	-	298 474
Swanepoel B	-	164 627	-	71 526	30 231	-	-	266 385
Malherbe M	-	128 281	-	70 852	23 664	-	-	222 797
Rust HJ	-	137 104	-	41 248	42 134	-	-	220 485
Total for Councillors	-	2 521 327	-	1 200 390	404 738	-	-	4 126 456
Municipal Manager								
Visser I	-	763 674	192 969	258 000	150 182	-	93 095	1 457 919
Chief Financial Officer								
Manuel MF	-	685 680	172 314	271 392	135 829	-	13 129	1 278 343
Director: Community Services								
Diamane EV	-	488 472	100 249	125 690	145 056	-	25 402	884 870
Director: Corporate Services								
Jack MR	-	546 768	88 000	161 952	108 327	-	68 440	973 486
Director: Infrastructure and Technical Services								
Makaleni DV	-	451 000	66 000	36 665	127 538	-	-	681 203
Taljaard FD (Acting)	39 414	352 710	28 873	86 460	70 062	-	-	577 518
Total for Senior Managers	39 414	3 288 304	648 404	940 159	736 992	-	200 065	5 853 339
Total for Management	39 414	5 809 631	648 404	2 140 549	1 141 731	-	200 065	9 979 795

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2016	2015	
1. FINANCIAL POSITION					
A. Asset Management / Utilisation					
1. Capital Expenditure to Total Expenditure	10% - 20%		4.20%	7.66%	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	
		Total Capital Expenditure	11 646 408	21 457 449	
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		0.00%	0.01%	
		PPE, Investment Property & Intangible Assets	11 090	84 813	
		PPE at Carrying Value	820 599 100	871 437 945	
		IP at Carrying Value	5 018 200	5 004 000	
		Intangible Assets at Carrying Value	82 117	235 393	
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1.40%	1.28%	
		Total Repairs and Maintenance Expenditure	11 590 011	11 238 519	
		PPE at Carrying Value	820 599 100	871 437 945	
		Investment Property at Carrying Value	5 018 200	5 004 000	
B. Debtors Management					
1. Collection Rate	95%		81.61%	92.46%	
		Gross Debtors Closing Balance	135 340 778	110 684 017	
		Gross Debtors Opening Balance	110 684 017	101 513 592	
		Bad Debts Written-off	-	-	
		Billed Revenue	134 102 474	121 560 793	
2. Bad Debts Written-off as % of Provision for Bad Debt	100%		0.00%	0.00%	
		Consumer Debtors Bad Debts Written-off	-	-	
		Consumer Debtors Current Bad Debt Provision	83 374 099	72 351 010	
3. Net Debtors Days	30 Days		141 Days	115 Days	
		Gross Debtors	135 340 778	110 684 017	
		Bad Debts Provision	83 374 099	72 351 010	
		Billed Revenue	134 102 474	121 560 793	
C. Liquidity Management					
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months		0 Months	0 Months	
		Cash and Cash Equivalents	14 844 627	12 281 744	
		Unspent Conditional Grants	4 996 476	3 760 679	
		Overdraft	7 320 915	13 588 146	
		Short-term Investments	-	-	
		Total Annual Operational Expenditure	265 839 510	258 544 359	
2. Current Ratio	1.5 - 2:1		2.26	2.75	
		Current Assets	138 300 453	126 970 713	
		Current Liabilities	61 066 199	46 247 683	
C. Liability Management					
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		0.23%	0.43%	
		Interest Paid	1 761 341	1 110 941	
		Redemption	(1 156 171)	-	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	
2. Debt (Total Borrowings) / Revenue	45%		1.00%	2.04%	
		Total Debt	1 684 168	3 212 014	
		Total Operating Revenue	208 402 845	210 432 770	
		Operational Conditional Grants	40 251 544	52 955 296	
C. Sustainability					
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		100.00%	100.00%	
		Cash and Cash Equivalents	14 844 627	12 281 744	
		Bank Overdraft	7 320 915	13 588 146	
		Unspent Grants	4 996 476	3 760 679	
		Net Assets	862 806 088	920 242 753	
		Accumulated Surplus	862 806 088	920 242 753	

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RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2016	2015	
2. FINANCIAL PERFORMANCE					
A. Efficiency					
1. Net Operating Surplus Margin	= or > 0%		-27.56%	-23.76%	
		Total Operating Revenue	208 402 364	208 904 172	
		Depreciation - Revalued Portion	-	-	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	
2. Net Surplus / Deficit Electricity	0% - 15%		6.84%	-19.76%	
		Total Electricity Revenue	72 861 560	67 029 700	
		Total Electricity Expenditure	67 874 439	80 275 166	
3. Net Surplus / Deficit Water	= or > 0%		7.39%	-10.24%	
		Total Water Revenue	29 827 017	27 325 462	
		Total Water Expenditure	27 624 210	30 122 894	
4. Net Surplus / Deficit Refuse	= or > 0%		-18.25%	68.91%	
		Total Waste Management	39 575 020	(43 653 254)	
		Total Waste Management	46 798 278	(13 573 173)	
B. Distribution Losses					
1. Electricity Distribution Losses (Percentage)	7% - 10%		13.29%	19.90%	
		Number of Units Purchased and/or Generated	59 503 530	56 896 563	
		Number of Units Sold	51 597 880	45 571 588	
2. Water Distribution Losses (Percentage)	15% - 30%		17.16%	31.34%	
		Number of Kilolitres Purchased and/or Purified	2 165 233	2 078 624	
		Number of Kilolitres Sold	1 793 691	1 427 080	
C. Revenue Management					
1. Growth in Number of Active Consumer Accounts	None		-13.32%	-19.05%	
		Number of Active Debtors Accounts (Previous)	32 154	39 721	
		Number of Active Debtors Accounts (Current)	27 870	32 154	
2. Revenue Growth (%)	= CPI		-0.98%	80.69%	
		CPI	6.60%	5.50%	
		Total Revenue (Previous)	210 432 770	116 463 138	
		Total Revenue (Current)	208 402 845	210 432 770	
3. Revenue Growth (%) - Excluding Capital Grants	= CPI		-4.92%	79.58%	
		CPI	6.60%	5.50%	
		Total Revenue, excluding Capital Grants (Previous)	209 144 811	116 463 138	
		Total Revenue, excluding Capital Grants (Current)	198 864 267	209 144 811	
D. Expenditure Management					
1. Creditors Payment Period (Trade Creditors)	30 Days		62 Days	9 Days	
		Trade Creditors	16 004 071	2 267 848	
		Contracted Services	9 081 774	7 617 680	
		Repairs and Maintenance	11 590 011	11 238 519	
		General Expenses	19 680 554	21 835 166	
		Bulk Purchases	54 420 223	47 048 655	
		Capital Credit Purchases	-	-	
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		29.55%	30.86%	
		Irregular, Fruitless & Wasteful and Unauthorised Expenditure	78 558 634	79 780 095	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	
3. Remuneration as % of Total Operating Expenditure	25% - 40%		28.36%	27.46%	
		Employee / Personnel Related Cost	70 984 361	66 864 269	
		Councillors Remuneration	4 401 180	4 126 459	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	
4. Contracted Services % of Total Operating Expenditure	2% - 5%		3.42%	2.95%	
		Contracted Services	9 081 774	7 617 680	
		Total Operating Expenditure	265 839 510	258 544 359	
		Taxation Expense	-	-	

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2016	2015	

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2016	2015	
E. Grant Dependency					
1. (Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		2.54%	2.55%	
		Internally Generated Funds	295 431	361 703	
		Borrowings	-	-	
		Total Capital Expenditure	11 646 409	14 194 318	
2. Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		2.54%	2.55%	
		Internally Generated Funds	295 431	361 703	
		Total Capital Expenditure	11 646 409	14 194 318	
3. Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		79.76%	74.68%	
		Total Revenue	208 402 845	210 432 770	
		Government Grant and Subsidies	49 790 121	54 243 255	
		Public Contributions and Donations	-	-	
		Capital Grants	9 538 577	1 287 959	
3. BUDGET IMPLEMENTATION					
A. Efficiency					
1. Capital Expenditure Budget Implementation Indicator	95% - 100%		60.88%	68.13%	
		Actual Capital Expenditure	11 646 408	14 194 318	
		Budgeted Capital Expenditure	19 130 000	20 834 000	
2. Operating Expenditure Budget Implementation Indicator	95% - 100%		123.15%	134.51%	
		Actual Operating Expenditure	265 839 510	258 544 359	
		Budgeted Operating Expenditure	215 864 000	192 205 697	
3. Operating Revenue Budget Implementation Indicator	95% - 100%		102.86%	114.68%	
		Actual Operating Revenue	208 402 364	208 904 172	
		Budgeted Operating Revenue	202 601 000	182 169 422	
4. Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		102.14%	100.50%	
		Actual Service Charges and Property Rates Revenue	133 404 236	120 744 690	
		Budgeted Service Charges and Property Rates Revenue	130 614 000	120 149 000	
Interpretation of Results:					
<div style="display: flex; justify-content: space-between;"> <div style="width: 20px; height: 10px; background-color: #90EE90; border: 1px solid black;"></div> The green colour indicates that the result is within the norm and is acceptable. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #FF0000; border: 1px solid black;"></div> The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #ADD8E6; border: 1px solid black;"></div> Data should be captured in the blue coloured cell to calculate a ratio. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #FFFFFF; border: 1px solid black; text-align: center; font-size: 8px;">#</div> In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced. </div>					

Annexure B

Report of the Auditor General

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Emthanjeni Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Emthanjeni Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as 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 of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general'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 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

8. With reference to note 58 to the financial statements, the municipality is the defendant in multiple-claim lawsuits. The municipality is opposing some of the claims as it believes the claims to be won in favour of the municipality. 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

9. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2015, have been restated as a result of an error discovered during 2016 in the financial statements of the Emthanjeni Local Municipality at, and for the year ended 30 June 2015.

Unauthorised expenditure

10. As disclosed in note 52.1 to the financial statements, the municipality incurred unauthorised expenditure of R71 974 257 (2015: R69 181 215) during the year under review mainly due to the overspending of the total amount appropriated for a few votes and departments of the municipality's approved budget. The total amount of unauthorised expenditure recorded in the annual financial statements at 30 June 2016 amount to R236 890 706 (2015: R164 916 450). This unauthorised expenditure must still be investigated and reported to council. The unauthorised expenditure was still awaiting authorisation or to be written off.

Irregular expenditure

11. As disclosed in note 52.3 to the financial statements, the municipality incurred irregular expenditure of R6 080 708 (2015: R10 598 880) during the year under review mainly due to non-compliance with supply chain management requirements. The total amount

of irregular expenditure recorded in the annual financial statements at 30 June 2016 amount to R69 170 694 (2015: R63 089 986).

Additional matters

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

Unaudited supplementary schedules

13. The supplementary information set out on appendix A to H does not form part of the financial statements and is presented as additional information. I have not audited these appendixes and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Objective 6: Promote the equitable creation and distribution of wealth in the Emthanjeni Municipal area on pages x to x.
 - Objective 7: Provision of access to all basic services rendered to residents within the available resources on pages x to x.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were

well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the selected objectives are as follows:

Provision of access to all basic services rendered to residents within the available resources

Reliability of reported performance information

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of 23% indicators were not reliable when compared to the source information.
21. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:
 - Objective 6: Promote the equitable creation and distribution of wealth in the Emthanjeni Municipal area.

Additional matters

22. I draw attention to the following matters:

Achievement of planned targets

23. Refer to the annual performance report on pages x to x; x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs x; x; x of this report.

Unaudited supplementary information

24. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with

applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

26. 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 current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

27. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
28. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Consequence management

29. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
30. Irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Internal control

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

32. The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in turn, resulted in irregular and unauthorised expenditure.
33. Leadership did not regularly monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance

issues were noted.

34. Leadership did not continuously monitor the audit action plan, and individuals responsible for particular sections of the plan were not held accountable.

Financial and performance management

35. Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance management systems, processes and procedures had not been designed and implemented. The reliability of predetermined information was neither implemented nor monitored.
36. The financial statements were subject to material corrections resulting from the audit, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.
37. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Auditor-General

Kimberley

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence