



Emthanjeni Municipality

Annual Report
2012/13



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CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

It is once more a pleasure and a privilege for me as the Mayor of Emthanjeni Municipality to present this Annual Report for the 2012/2013 financial year to the Council, community, stakeholders and partners.

The format and content of the Annual Report is largely prescribed by Section 46 of the Local Government: Municipal Systems Act (No: 32 of 2000) and Sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act (No: 56 of 2003).

The report is tabled after an extremely busy year in the Municipality: the first ever sitting of National Council of Provinces (NCOP) in our District which took place in De Aar and was blessed with the presence of the President of the country, the community meeting by the NCOP chairperson, visit by the High Commissioner of the British Embassy in South Africa and Chinese government and business delegation. All the above activities and visits had one thing in common which was to facilitate development in the Municipality

We also witnessed high level job creation projects in the area such as; solar energy, hospital construction, *Pula Nala*, Premier's cemetery cleaning project and construction of St. Johns School. The Municipality also had its own projects which employed young and old people: upgrading of storm water drainage, construction of houses, tarring of streets and cleaning of municipal facilities.

The Municipality also upgraded Hanover Stadium as part of the Mayoral Soccer Cup Legacy Project and greening of parks as part of creating safe playing grounds for the children. In an attempt to address youth issues, we established Ward Youth Councils and recruited thirty young people for the driving licence program.

As we move towards the 2013/2014 financial year, our priorities as the collective of Emthanjeni Municipality remain those identified in our five year Integrated Development Plan (IDP), which was developed along with the community, stakeholders and our partners in both government and private sectors. Some of the urgent projects as identified in the IDP were: serviced sites, sanitation, reliable electricity network, housing, job creation project and shopping centres in De Aar to respond to the demand of our growing economy.

While being aware of the challenges that may be encountered in the ensuing financial years, we are heartened by the fact that positive outcomes have been achieved in some of the most critical areas by our Municipality. We remain committed to ensuring a better life for the communities of Emthanjeni and

Chapter 1: Executive Summary

shall not be deterred by the challenges that present themselves as we move forward with our service delivery initiatives.

Let's continue working together in building an economically vibrant Municipality.

ST STHONGA

EXECUTIVE MAYOR

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview

The 2012/2013 period brought with it a few changes which in turn impacted positively on the operational and administrative functioning of the organization. Change has been experienced very successfully and bears testimony to Council, management and staff as we have worked well to ensure that, as always, the needs of Emthanjeni Municipality and its community remain paramount.

In delivering this forward a number of pertinent issues are to be highlighted. These are reflected as follows:

- Emthanjeni Municipality was established in the year 2000 ;
- As a Category B Municipality, Emthanjeni Municipality was established to be a Collective Executive type system and consists of 14 Councillors (7 Ward Councillors and 7 Proportional Elective Councillors);
- Council is responsible for taking political decisions relating to service delivery and playing an oversight role in Council;
- Meetings of Council occur quarterly and Special Council meetings are convened when an urgent issue is require to be attended to and/or an urgent decision needs to be taken;
- As per Chapter 3 of the Municipal Systems Act, Act No. 32 of 2000), the executive and legislative authority of a municipality lies with the Council and the Council takes all the decisions of the municipality subject to s59;
- Executive Committee meetings convene monthly and are constituted as follows: the Mayor, Political Heads of Standing Committees, and the top management of the Municipality
- Standing Committees meet in order to discuss or recommend that certain actions are taken by the Executive Committee or Council. These committees are chaired by the Portfolio Councillors who form part of the Executive Committee members.
- The municipality engaged with a number of sector departments. While there are a number of associations, the following are representative of the many sector departments with whom there is interaction:

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- The Department of Public works (who provide assistance in terms of EPWP funding);
- The Department of Sports, Arts and Culture – due to the Community Services functions relating to sport fields, libraries and the like;
- The Department of Human Settlements (for whom Emthanjeni Municipality acts as the Housing facilitator);
- All grant funding sponsors e.g. DEAT, MIG, NDPG, EPWP, Department of Agriculture; and Department of Social Development.

In these instances it is imperative that the municipality meets with these departments regularly to discuss progress and issues of challenge.

- Emthanjeni Municipality was awarded an unqualified audit opinion with emphasis of matter by the Auditor General for the 2012/2013 period.
- Changes in respect of the s57 and s56 managers did occur during this time. It is noted that the contracts of the following s57 and s56 managers were renewed:
 - – Municipal Manager
 - – Chief Financial Officer

The contract of the Director Infrastructure Services was not renewed and a new appointment was made after the financial year end. A new directorate for community services was created and a Director was appointed to lead this directorate.

- Risk assessments are conducted annually and reporting is conducted quarterly in order to facilitate the management of risks. While this is conducted effectively as an annual event, it is noted that quarterly reporting must be conducted more formally in order to facilitate the management and reporting of risk. To date the Risk Officer has been appointed and this has facilitated the reporting function.

Having experienced a successful 2012/2013 we look forward to the new financial year – striving at all times to provide the much needed and required services in an efficient and effective manner.

I would like to take this opportunity to thank my team (managers and the entire staff) and the Mayor, Speaker and Councillors' for making our efforts worthwhile.

I.VISSER

MUNICIPAL MANAGER

Chapter 1: Executive Summary

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 2012/13 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2012 to 30 June 2013. 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:

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

Mission:

"We strive to: -

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

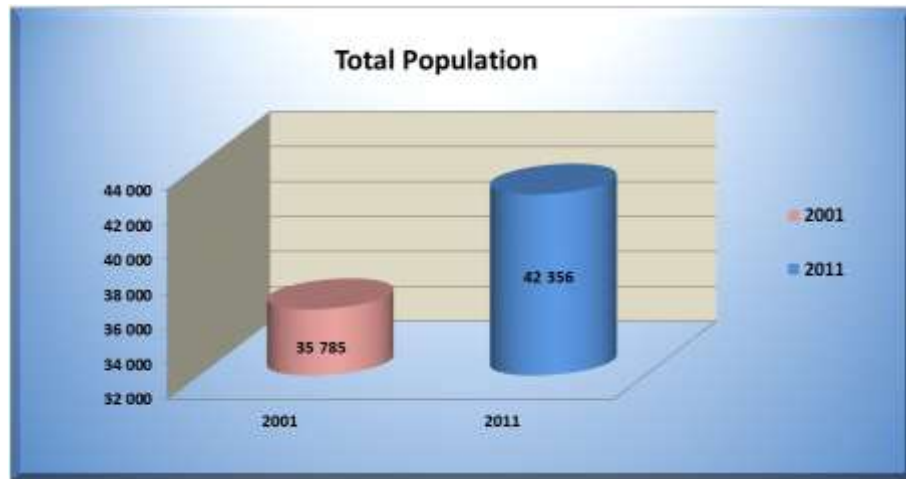
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1.3 Municipal Functions, Population and Environmental Overview

1.3.1 Population

a) Total Population

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

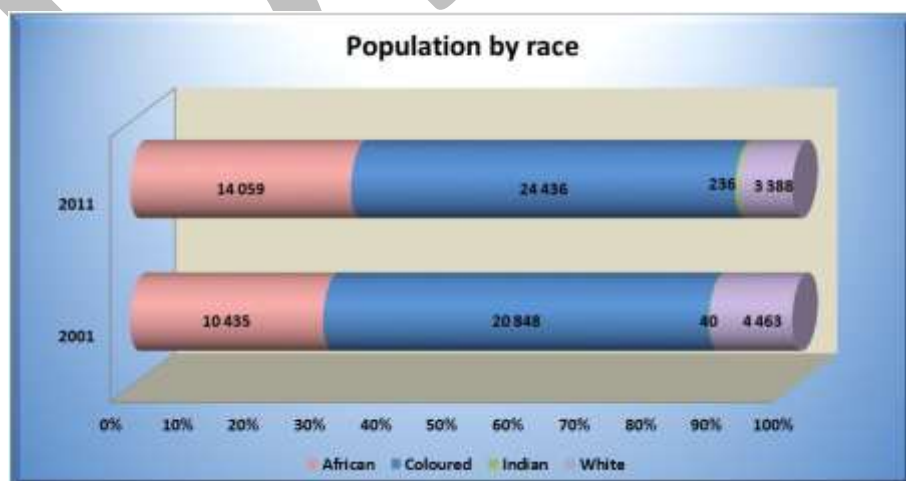


Graph 1.: **Total Population**

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**



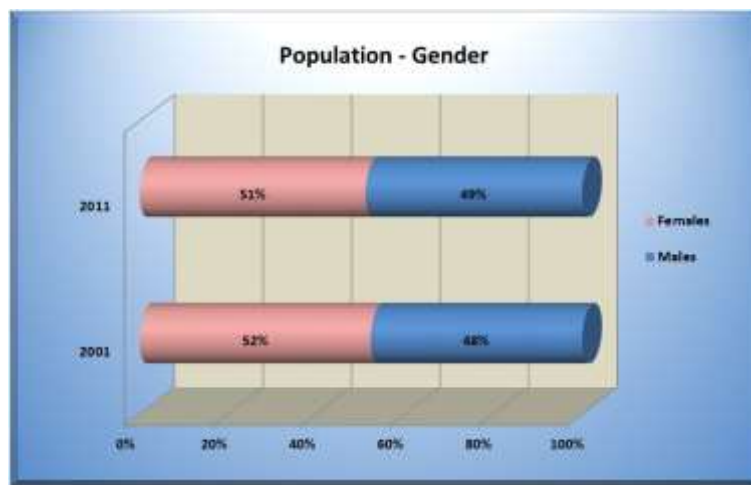
Graph 2.: **Population by race**

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In 2011 the Emthanjeni population showed that females represent 21 634 (51%) and males 42 356 (49%).

Population - Gender	2001	2011
Females	18 679	21 634
Males	17 107	20 722
Total	35 785	42 356
<i>Source: Census 2001 & 2011</i>		

Table 2.: **Gender Statistics**



Graph 3.: **Population - Gender**

b) **Population profile**

Age	2011/12			2012/13		
	Male	Female	Total	Male	Female	Total
Age: 0-9	3597	3580	7177	4654	4522	9176
Age: 10-14	1975	2265	4240	2144	2103	4248
Age: 15-19	1741	2173	3914	2046	2103	4248
Age: 20-24	1346	2003	3349	1763	1760	3523
Age: 25-39	4393	3857	8250	4504	4342	8846
Age: 40- 54	3275	3332	6607	3223	3660	6883
Age: 55-69	1383	2185	3568	1846	2343	4189
Age: 70-84	286	843	1129	339	254	593
Age: 85+	103	45	148	51	122	174
<i>Census 2001 & 2011</i>						

Table 3.: **Population profile**

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1.3.2 Households

The total number of households within the municipal area increased from 12 500 households in the 2011/12 financial year to a total of 12 615 households in the 2012/13 financial year. This indicates an increase of 115 in the total number of households within the municipal area over the two years.

Households	2010/11	2011/12	2012/13
Number of households in municipal area	12 400	12 500	12 615
Number of indigent households in municipal area	2 333	2 733	2 864

Table 4.: **Total number of households**



1.3.3 Socio Economic Status

Financial year	Housing Backlog	Unemployment Rate	Households with No Income	People older than 14 years illiterate	HIV/AIDS Prevalence	Urban/rural household split
2011/12	3008	23%	6 174	12,6%	20 688	3 008
2012/13	4114	28%	3 099	15,1%	20 723	4 114

Table 5.: **Socio Economic Status**

1.3.4 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.

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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

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Wards

The Municipality was structured into the following 7 Wards:

Ward	Areas
1	Louisville, Montana, Kareeville, Sunrise (Portion)
2	Leeuwenshof, Residencia, 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 6.: **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 has the largest abattoir in the Southern Hemisphere and supplies all the major centres throughout the entire country with the famous “Karoo” lamb and mutton. Apart from meat production, the sheep farms around De Aar are also major suppliers of wool. All the water used in the town comes from boreholes – which is why the town is known for its large number of wind pumps. The town is easily accessible by tarred road, two airfields serve it – one is an all-weather runway that can accommodate any type of aircraft and it’s only 52km away from the national bus route.

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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.

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



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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



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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).

d) Key Economic Activities

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

Key Economic Activities	Description
Services Sector (Community)	The services sector consist of the various government institutions, NGO;s, CBO's and NPO's that resides within our area of jurisdiction. ABSA, FNB, STANDARD BANK and CAPITEC
Manufacturing	Stone crushers who specialize in the manufacturing of sand, bricks, cements and rocks
	Rocla, Green Akker, 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 7.: **Key Economic activities**

1.4 Service Delivery Overview

1.4.1 Basic services delivery challenges

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

Table 8.: **Basic Services Delivery Challenges**

1.4.2 Proportion of Households with access to Basic Services

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KPA & Indicator	Municipal Achievement
	2012/13
Electricity service connections	100%
Water - available within 200 m from dwelling	100%
Sanitation - Households with at least VIP service	100%
Waste collection - kerbside collection once a week	100%
<i>(The figures are the averages for the year, rounded off)</i>	

Table 9.: **Households with minimum level of Basic Services**

1.5 Financial Health Overview

1.5.1 Financial Viability Highlights

Highlight	Description
Timeous Payment of Service Providers	Suppliers were paid well within 30 days after receipt of valid tax invoices
Production of a Second General Valuation Roll	The new General Valuation Roll is much more credible and acceptable by the majority of property owners, which will increase the revenue on all rates levies
Improved Cash and Cash equivalents management	The overall management of available cash and cash equivalents improved enormous as it is evident with the interest received during the year.
Timeous submission of Annual Financial Statements and the improvement of audit qualifications	The compliance of the submission of Annual Financial Statements together with the Annual Performance Report testifies the directorate's vision to achieve "Clean Audit Status"

Table 10.: **Financial Viability Highlights**

1.5.2 Financial Viability Challenges

Challenge	Action to address
Increase of Outstanding Debtors Balances	This is by far the biggest challenge facing the municipality and mechanisms will be developed over the next few months
Lack of Staff Capacity and Skills Retention within the finance directorate's staff	The capacity of all the current staff is also very worrying when it comes to all the new regulatory reporting frameworks, staff will be sent for training.
Lack of Revenue Enhancement Implementation Strategy	A policy on Revenue Enhancement and Strategy will be developed and presented to Council within the 2013/2014 financial year
High volumes of Water and Electricity losses	Real investigation will be undertaken to reduce the high costs that relates to Water and Electricity losses
Fraudsters targeting the Municipality - Risk of Fraud	Policy on the internal controls will be developed to address these risks areas and fraud activities

Table 11.: **Financial Viability Challenges**

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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	2011/12	2012/13
Debt coverage ((Total operating revenue-operating grants received):debt service payments due within the year)	5.36	4.15
Service debtors to revenue – (Total outstanding service debtors: revenue received for services)	0.83	0.57
Cost coverage ((Available cash+ investments): Monthly fixed operating expenditure	0.94	1.09

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

1.5.4 Financial Overview

Details	Original budget	Adjustment Budget	Actual
	R'000		
Income			
Grants	39 306	39 306	54 895
Taxes, Levies and tariffs	98 479	93 145	97 528
Other	27 873	26 030	15 432
Sub Total	165 658	158 481	167 855
Less Expenditure	167 580	165 343	218 201
Net surplus/(deficit)	(1 922)	(6 863)	(61 797)

Table 13.: *Financial Overview*

1.5.5 Total Capital Expenditure

Detail	2011/12	2012/13
	R'000	
Original Budget	20 657	24 120
Adjustment Budget	21 289	23 414
Actual	17 956	14 194
% Spent	84.34	60.62

Table 14.: *Total Capital Expenditure*

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Graph 4.: *Total Capital Expenditure*

1.6 Auditor General Report

1.6.1 Audited Outcomes

Year	2010/11	2011/12	2012/13
Opinion received	Qualified	Qualified	Unqualified

1.7 2012/13 IDP/Budget Process

The table below provides details of the key deadlines for the 2012/13 IDP/Budget process:

No	Activity	Responsible person	Date
PRE-BUDGETTING PROCESSES/TASKS			
1.1	Submission of Budget Schedule & IDP Review Process to the Mayor	MM & CFO	26/08/2011
1.2	Appoint Budget Task Team for compilation of 2012/2013 Capital & Operating Budget.	MM	01/09/2011
1.3	Verifying Income and Expenditure sources	CFO	10/11/2011
1.4	Investigate DORA for allocations	CFO	10/10/2011
1.5	Evaluate possible roll over Capital projects	MM	15/12/2011
1.6	Issuing of Budget guidelines and other departmental budget submission guidelines	CFO	22/09/2011
1.7	Preparing of programme for IDP steering committee & community involvement meetings	Mayor & MM	10/10/2011
1.8	Negotiation of new contracts and renegotiation of expired contracts or contracts that will expire during the period to 30 June 2012 with supplies and other service providers	MM, CFO, HOD's	30/09/2011
1.9	Requesting Budgetary inputs, suggestions, recommendations, possible sources of revenue from HOD's for respective departments.	MM & HOD's	30/09/2011

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No	Activity	Responsible person	Date
1.10	Calculate, investigate & identify over- and under spending on votes, departments such (i) Once-off events (ii) Recurrent events (iii) Future tendencies of accounts	CFO & HOD's	15/12/2011
1.11	Finalisation of IDP preliminary budget format	MM & HOD's	Continuous
1.12	Finalise outlay of budget on spreadsheets as prescribe according National Treasury & MFMA	MM & HOD's	Continuous
1.13	Proper record keeping of all activities within the pre-budgeting processes	MM & HOD's	Continuous
COMMUNITY PARTICIPATION PROCESS			
2.1	IDP Steering committee meeting (i) First IDP input Meeting (ii) Sector Departments Alignment meeting (iii) Review IDP Meeting (iv) Final IDP Prioritising and Sector departments meeting	Mayor, MM	03/10/2011 14/10/2011 21/11/2011 06/02/2012
2.2	Community IDP and Budget Input meetings (i) Combined Ward Committee Meetings: All 7 wards	Mayor, WC, MM & CFO	From 10/10/2011 until 21/10/2011
2.2	Community IDP and Budget Input meetings (i) Combined Ward Committee Meetings: All 7 wards	Mayor, WC, Councilors, MM & CFO	03/10/2011
2.3	Community IDP Budget Input meetings (i) Input Meeting: Ward 1 (ii) Input Meeting: Ward 2 (iii) Input Meeting: Ward 3 (iv) Input Meeting: Ward 4 (v) Input Meeting: Ward 5 (vi) Input Meeting: Ward 6 (vii) Input Meeting: Ward 7 (viii) Input Meeting: Business Community, Agricultural Community, NGO's	Mayor, WC, MM & CFO	From 10/10/2011 until 21/10/2011
2.4	Performance Management Input meetings	Mayor, MM	18/10/2011
2.5	IDP Sectoral Meeting with Pixley Ka Seme District Municipality, Regional Governments departments	Mayor, WC, Exco, Clrs, MM & HOD,s	06/02/2012
2.6	Community IDP & Budget Report Back meetings (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	Mayor, WC, Exco, Clrs, MM & HOD's	From 09/04/2012 until 27/05/2012

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No	Activity	Responsible person	Date
	(vii) Report Back Meeting: Ward 7 (viii) Report Back Meeting: Business Community, Agricultural Community, NGO's Report Back Meetings (ix) Review Meetings (x) Final Prioritising Meetings		
2.7	Performance Audit Committee Meetings (i) Report Back Meetings (ii) Review Meetings (iii) Final Prioritising Meetings	Mayor, MM and PMS Steering Committee	05/10/2011
BUDGET PREPARATORY PROCESS			
3.1	Draw up current staff budget according N.T	MM & HOD's	30/09/2011
3.2	Evaluate and record proposals and Report Back from HOD's (income & expenditure sources)	MM, CFO & HOD's	28/10/2011
3.3	Determine and calculate redemption and finance costs for 2012/13 budget fin year	CFO	30/09/2011
3.4	Preparations of Budgeted Yearly Income and Expenditure levels, and Proposed Draft tariffs	CFO	31/10/2011
3.5	Record all inputs received from IDP forums, Communities, Ward Committees and other stakeholders.	Mayor, Clrs, MM, CFO, & HOD's	21/10/2011
3.6	Compile first draft with budgeted Inc & Exp	Mayor, MM & CFO	02/12/2011
3.7	Compile first draft with budgeted capital projects and financing source of project that links with IDP projects, including Draft SDBIP	Mayor, MM, HOD's	11/11/2011
3.8	Distribute First draft of budget to Mayor, Exco Members, Clrs, MM, HOD's	May, Council & MM	18/11/2011
3.9	Budget Monitoring Meeting with Technical Steering Committee	May, Council & MM	23/11/2011
3.10	Setting of Strategic Objectives for the next MTEF period	May, Council & MM	30/10/2011
BUDGETARY POLICIES			
4.1	Finalisation of Tariff policies (i) Personnel related Policies (ii) Rates policy (iii) Electricity policy (iv) Water & Sanitation policy (v) Credit Control Policy (vi) Indigent Policy (vii) Other Services policies	May, Exco, MM, CFO & HOD's	16/03/2012
4.2	Finalisation IDP Review document	Mayor, MM	09/03/2012

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No	Activity	Responsible person	Date
4.3	Finalisation of Strategic Policies documents such as (i) LED policy (ii) Special Development policy (unlikely) (iii) Tourism policy (iv) Transport policy (do we need one?) (v) Other Strategic Policies	MM	09/03/2012
4.4	Finalisation of Compilation of Business Plan for submission to Government dept and Private Institutions	MM	09/03/2012
4.5	Application of Electricity Tariff Increment with NERSA	DIHS & CFO	03/10/2011
4.6	Budget Approval Process	Mayor, MM	31/05/2012
TABLING OF BUDGETS			
5.1	Submission of Revised Integrated Development Planning to Mayor	MM	16/09/2011
5.2	Submit first draft of 2012/2013 Capital and Operating Budget to Mayor	MM, CFO	20/03/2012
5.3	Tabling of Draft 2012/2013 Capital and Operating Budget to Council	Mayor	30/03/2012
5.4	Tabling of Budgetary Policies to Council	Mayor	30/03/2012
5.5	Tabling of Final 2012/2013 Capital and Operating Budget	Mayor	15/05/2012
5.6	Submission of SDBIP to Mayor	MM	11/06/2012
APPROVAL OF BUDGET AND POLICIES			
6.1	Approval of Revised Integrated Development Planning	Council	31/05/2012
6.2	Approval of Budgetary Policies (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	31/05/2012
6.3	Approval of Tariffs (i) Rates tariffs (ii) Water tariffs (iii) Electricity tariffs (iv) Sewerage tariffs (v) Refuse tariffs (vi) Secondary tariffs as indicated in the list of tariffs	Council	31/05/2012
6.4	Approval of Budgets (i) Capital Budget for 2012/2013 (ii) Operating Budget for 2012/2013	Council	31/05/2012
6.5	Approving of SDBIP	Council	29/06/2012

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No	Activity	Responsible person	Date
FINALISING			
7.1	Approval of SDBIP	Mayor	15/06/2012
7.2	Submission of Approved Budget and SDBIP to (i) National Treasury, PT & RT (ii) SALGA (iii) COGHSTA (iv) PIXLEY KA SEME	MM	18/06/2012
7.3	PUBLICATION OF HIGH LEVEL SUMMARY BUDGET & SDBIP (i) Website (ii) Local Newspaper (iii) Hard Copies	MM	18/06/2012

Table 15.: **2012/13 IDP/Budget Process Chapter 2**

Chapter 2: Good Governance

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 Indicators 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.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2011/12	2012/2013
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)	84	61

Table 16.: *National KPIs - Good Governance and Public Participation Performance*

2.2 Performance Highlights - Good Governance and Public Participation

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

Table 17.: *Good Governance and Public Participation Performance Highlights*

2.3 Challenges - Good Governance and Public Participation

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

Table 18.: *Good Governance and Public Participation Challenges*

2.4 Governance Structure

2.4.1 Political Governance Structure

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The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social 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 2012/13 financial year:

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

Table 19.: Council 2012/13

Below is a table which indicates the Council meetings attendance for the 2012/13 financial year:

Meeting dates	Council Meetings Attendance	Apologies for non-attendance
29 November 2012	13	1
13 December 2012 (Special Meeting)	14	0
28 February 2013	12	2
30 March 2013 (Special Meeting)	14	0
2 April 2013 (Special Meeting)	14	0

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Meeting dates	Council Meetings Attendance	Apologies for non-attendance
30 May 2013	14	0
28 June 2013 (Special Meeting)	14	0
<i>Numbers between brackets indicate non-attendance without apology</i>		

Table 20.: **Council meetings**

b) Executive Mayoral 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 2012 to 30 June 2013:

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

Table 21.: **Executive Committee 2012/13**

The table below indicates the dates of the Committee meetings for the 2012/13 financial year:

Meeting date
2 August 2012
25 October 2012
31 January 2013
12 & 28 February 2013
22 March 2013
25 April 2013
23 May 2013

Table 22.: **Executive Mayoral Committee Meetings**

c) Portfolio Committees

Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the

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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 Services & Social Development Committee			
Chairperson	Other members	Number of minutes submitted to council	Meeting Dates
GL Nyl	J Jood	5	10 July 2012
	W du Plessis		21 November 2012 17 January 2013 18 March 2013 9 May 2013
Municipal Infrastructure Committee and Development Services Committee			
ST Sthonga	GL Nkumbi	4	3 July 2012
	W Witbooi		4 September 2012 19 November 2012 5 February 2013
Municipal Public Accounts Committee			
M Malherbe	GL Nkumbi	6	6 September 2012
	M Kivedo		1 November 2012 14 March 2013 15 March 2013 18 March 2013 26 March 2013
Rules Committee			
MM Freddie	N Thomas	1	26 March 2013
	A Jaftha		
Financial Committee			
ST Sthonga	GL Nyl	5	16 July 2012
	J Rust		2 August 2012 15 November 2012 22 January 2013 13 March 2013
Corporate Services & Social Development Committee			
Chairperson	Other members	Number of minutes submitted to council	Meeting Dates

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GL Nyl	J Jood	5	10 July 2012
	W du Plessis		21 November 2012
			17 January 2013
			18 March 2013
			9 May 2013
Municipal Infrastructure Committee and Development Services Committee			
ST Sthonga	GL Nkumbi	4	3 July 2012
	W Witbooi		4 September 2012
			19 November 2012
			5 February 2013
Municipal Public Accounts Committee			
M Malherbe	GL Nkumbi	6	6 September 2012
	M Kivedo		1 November 2012
			14 March 2013
			15 March 2013
			18 March 2013
			26 March 2013
Rules Committee			
MM Freddie	N Thomas	1	26 March 2013
	A Jaftha		
Financial Committee			
ST Sthonga	GL Nyl	5	16 July 2012
	J Rust		2 August 2012
			15 November 2012
			22 January 2013
			13 March 2013

Table 23.: **Portfolio Committees**

2.4.2 Administrative Governance Structure

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

Name of Official	Department	Performance agreement signed
		Yes/No
I Visser	Municipal Manager	Yes
MF Manuel	Finance	Yes

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Name of Official	Department	Performance agreement signed
		Yes/No
EM Diamane	Corporate, Community, Development	Yes
FD Taljaard	Infrastructure And Housing	Yes

Table 24.: *Administrative Governance Structure*

COMPONENT B: INTERGOVERNMENTAL RELATIONS

Explain the various contributions to service delivery offered by those involved.

2.5 Intergovernmental Relations

2.5.1 Provincial Intergovernmental Structures

We participate at the following forums:

- The Municipality is the Member of SALGA with two of our councilors serving as PEC members
- Provincial Speakers forum
- Provincial Intergovernmental Relations

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.

2.6.1 Public Meetings

Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Dates and manner of feedback given to community
Budget/IDP feedback meeting	06 May 2013	14	8	65	Budget/IDP

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Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Dates and manner of feedback given to community
Budget/IDP feedback meeting	07 May 2013	14	8	72	Budget/IDP
Budget/IDP feedback meeting	08 May 2013	14	8	81	Budget/IDP
Budget/IDP feedback meeting	09 May 2013	12	8	65	Budget/IDP

Table 25.: **Public Meetings**

2.6.2 Ward Committees

The ward committees support the Ward Councilor 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	Dates of meetings held during the year
Paulina Vywers	Ordinary Member	06 May 2013 22 May 2013
Benita Louw	youth	
Wendy Baardman	Disabled	
Maria Le Grange	Education	
Flip Goodman	Church	
Arnolds Mackay	Safety	
Hendrick Phillips	Government department	
Renata Smeer	Women	
Gerald Middleton	Youth	
Gregory Afrika	Sport	

Table 26.: **Ward 1 Committee Meetings**

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

Name of representative	Capacity representing	Dates of meetings held during the year
Micheal Pienaar	Church	25 April 2013
Ettienne Lawak	Sport	

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Name of representative	Capacity representing	Dates of meetings held during the year
Irene Absolom	SMME	
Tershia Meyers	Youth	
Richard Mfuku	Youth	
Sharon Wangra	SMME	
M Tybos	Women	
Patricia Olifant	NGO	
Elsie Bosman	Women	
Joline Hoffman	Church	

Table 27.: **Ward 2 Committee Meetings**

c) Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing	Dates of meetings held during the year
Nontobeko Nkontwana	Government Department	08 May 2013 08 June 2013
Khunjulwa Ninzi	NGO	
Ntombowko George	Women	
Trevon Tokwana	Sport	
T.P Mphephetho	Unemployed	
E.N Ralawe	Women	
Mncedisi Davana	Cultural group	
Mbulelo Mokwena	Youth	
Babalwa Madyo	Youth	
Buyani Maliti	Youth	

Table 28.: **Ward 3 Committee Meetings**

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

Name of representative	Capacity representing	Dates of meetings held during the year
Thembekile Grawula	NGO	17 June 2013
Vuyo Monna	Youth	
Thenjiwe Simanga	Youth	
Sharon Booysen	Education	
Lucinda Brandt	Health/Business	
Mandisa Mfenana	Women	
Nomonde Ngokweni	Church	
Nimrode Godlo	Crime Prevention	

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Name of representative	Capacity representing	Dates of meetings held during the year
BP Mayekiso	Sport	
Jan Scheffers	Local government	

Table 29.: **Ward 4 Committee Meetings**

e) Ward 5: Town Area

Name of representative	Capacity representing	Dates of meetings held during the year
IJ van Zyl	Ordinary Member	03 July 2012 14 May 2013 04 June 2013
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 Meetings**

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

Name of representative	Capacity representing	Dates of meetings held during the year
Julius Bramley	Ordinary Member	30 May 2013 20 June 2013
Khwetshube Nompumelelo	Women	
Eddie Larkman	Business Sector	
Nyenjiwe Ncapayi	Women	
Thenjiwe Pienaar	Adult Education	
Isaac Andrews	SMME	
Zamile Mhalaba	Government Department	
Linda Joka	Education	
Mlungisi Sestile	Church	
Zamathemba Yawa	Church	

Table 31.: **Ward 6 Committee Meetings**

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

Name of representative	Capacity representing	Dates of meetings held during the year
Rachel Arnolds	Women	27 May 2013
Wensiwe Fennie	Youth	
Ester Fennie	Government Department	
Daniel Matsio	Old age	
Alime Fililani	Ordinary Member	
Martienes Du Preer	Sport	
Sera Mathews	Church	
Marjou Bezuidenhout	Sport	
Joseph Fortuin	SMME	
Mike Solomon	Ordinary Member	

Table 32.: **Ward 7 Committee Meetings**

2.6.3 Functionality of Ward Committee

The purpose of a ward committee is:

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

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

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

Ward Number	Committee established (Yes / No)	Number of reports submitted to the Speakers Office	Number meetings held during the year	Committee functioning effectively (Yes / No)	Actions to address
1	Yes	2	2	No	Filling of vacancies
2	Yes	1	1	No	Filling of vacancies
3	Yes	2	2	Yes	n/a
4	Yes	1	1	Yes	n/a

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Ward Number	Committee established (Yes / No)	Number of reports submitted to the Speakers Office	Number meetings held during the year	Committee functioning effectively (Yes / No)	Actions to address
5	Yes	3	3	Yes	n/a
6	Yes	2	2	Yes	n/a
7	Yes	1	1	Yes	n/a

Table 33.: *Functioning of Ward Committees*

2.6.4 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2012/13 financial year:

Name of representative	Capacity	Meeting dates
Sthonga ST	Councillor	30 September 2013
Nyl GL	Councillor	
Du Plessis W	Councillor	
Malherbe M	Councillor	
Visser I	Official	
Manuel MF	Official	
Diamane EV	Official	
Alexander JRM	Official	
Cawood A	Imatu	
Boucher A	Imatu	
Jack M	Samwu	
Jacobs NE	Samwu	
Oliphant XL	Samwu	
Kondile L	Samwu	
Van Staden J	Samwu	
Mantyi S	Samwu	

Table 34.: *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.

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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 five risks of the municipality:

Risk	Department	Division
1. Under recovery of budgeted revenue	Finance Section	Revenue
2. Under spending of capital budget	Finance Section	Budget and Treasury
3. Loss of electrical supply to consumers	Infrastructure	Electricity
4. Lack of reporting for repairs	Infrastructure	Buildings

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Risk	Department	Division
5. Fraud	Community Services	Traffic Services

Table 35.: *Top five risks*

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)
Anti-corruption and Fraud Prevention strategy and Implementation plan	Yes

Table 36.: *Strategies*

b) Implementation of Strategies

Key Risk Areas	Key measures to curb corruption and fraud
All Directorates	Corruption, Fraud, theft, maladministration and any form of dishonesty will be investigated and pursued by applying all available remedies within the full extent of the Law. All officials are responsible for reporting incidents of Corruption and Fraud to the Heads of Departments and the Municipal Manager.
	Key Strategic Plan reflects a Zero Tolerance approach to Fraud and Corruption.

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.

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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

Name of representative	Capacity	Meeting dates
D Olifant	Chairperson	28/11/2012
D Fourie	Member	15/01/2013
C Penderis	Member	27/03/2013
		12/06/2013

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.

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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.

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

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

Section 14(3) (a) of the Regulations requires that the 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 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.
-

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b) Members of the Performance Audit Committee

Name of representative	Capacity	Meeting dates
W. De Bruyn/ D Olifant	Chairperson	12/01/2012 27/03/2012
G Nyl	Member	09/07/2012 19/12/2012
A Jaftha	Member	13/03/2013 05/06/2013

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 Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of **Batho Pele** and this, in simple terms, means that those we elect to represent us (councillors at the municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life.

To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, value for money and efficiencies. They should ideally look to close the communication-consultation loop, i.e. tell people how they can have a say and demonstrate how those who have given their views have had a real impact.

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

Communication activities	Yes/No
Communication unit	No
Communication strategy	No
Communication Policy	Yes
Customer satisfaction surveys	No
Functional complaint management systems	Yes

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Communication activities	Yes/No
Newsletters distributed at least quarterly	Yes

Table 40.: *Communication Activities*

2.12 Website

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

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

Documents published on the Municipal website	Published (Yes/ No)
Current annual and adjustments budgets and all budget-related documents	Yes
Budget implementation policy: Tariff policy	Yes
Budget implementation policy: Credit control policy	Yes
Budget implementation policy: Rates policy	Yes
Budget implementation policy: SCM policy	Yes
Annual report 2011/12	Yes
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2012/13	Yes
All service delivery agreements for 2012/13	Yes
All long-term borrowing contracts for 2012/13	Yes
All supply chain management contracts above the prescribed value for 2012/13	Yes
Information statement containing a list of assets over a prescribed that have been disposed of in terms of section 14 (2) or (4) of the MFMA during 2012/13	Yes
Contracts agreed in 2012/13 to which subsection (1) of section 33 of the MFMA apply, subject to subsection (3) of that section	Yes
Public-private partnership agreements referred to in section 120 of the MFMA made in 2012/13	Yes
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2012/13	Yes

Table 41.: *Website Checklist*

2.13 Supply Chain Management

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

The Supply Chain Management Policy complies duly with the requirements of Section 112 of the MFMA as well as the Supply Chain Management Regulations. The Policy was drafted based on the SCM Model

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Policy issued by the National Treasury and amended to suit the local circumstances within the ambit of the regulatory framework and sometimes even stricter than the legal requirements.

2.13.1 Competitive Bids in Excess of R200 000

a) Bid Committee Meetings

The attendance figures of members of the bid specification committee are as follows:

Member	Percentage attendance
MF Manuel	70
FD Taljaard	80
EV Diamane	50
MR Jack	50
JP Claaste	80
LM De Leeuw	70
E Jacobs	80
F Schlemmer	50
M Joka	50
W Lubbe	50
HH van der Merwe	70

Table 42.: *Attendance of members of bid specification committee*

The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance
HH van der Merwe	90
MR Jack	80
JP Claaste	80
LM De Leeuw	90
E Jacobs	70
F Schlemmer	60
M Joka	60
W Lubbe	60

Table 43.: *Attendance of members of bid evaluation committee*

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance
MF Manuel	90
EV Diamane	100
FD Taljaard	100

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Member	Percentage attendance
TW Msengana	80
CP Appies	80
JRM Alexander	60

Table 44.: *Attendance of members of bid adjudication committee*

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

b) Awards Made by the Bid Adjudication Committee

The ten highest bids awarded by the bid adjudication committee are as follows:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
T6/2012	12 July 2012	Provision of security services to Emthanjeni Municipality	Nationwide Security Holdings	5 696 352
T6A/2012	22 August 2012	New 22KV supply to hospital	Bafana Bafana Elektries	2 649 384
T8/2012	11 October 2012	Emthanjeni stormwater Phase 2	Pambili Civils	6 001 648
T9/2012	26 November 2012	Protective clothing	CM Chemicals	199 489
T10/2012	26 November 2012	Provision for professional engineering services to disinfect drinking water	BVI Consulting Engineering	965 044
T11/2012	26 November 2012	Provision of professional services for sewerage master plan	GLS Consulting (Pty) Ltd	281 264
T12/2012	7 February 2013	Provision of professional services for project	Element Consulting Engineers	4 110 441
T13/2013	7 February 2013	Building of 6 sub economic houses in Britstown	Peters Builders	572 740
T1/2013	28 March 2013	Supply and delivery of office automation (Photocopiers)	Konica Minolta	230 081
T2/2013	1 July 2013	Installation of disinfection system for drinking water in De Aar, Hanover and Britstown	Klomac Engineering	1 591 678

Table 45.: *Ten highest bids awarded by bid adjudication committee*

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c) Awards Made by the Accounting Officer

Bids awarded by the Accounting Officer are as follows:

Bid number	Title of bid	Directorate and section	Value of bid awarded (R)
T4/2013 31 May 2013	Purchase of 2 Sedans for the Traffic Department and a 4 Ton Truck for Infrastructure Department	Trek-in-Toyota De Aar Motors	280 000 344 280
T7/2013 31 May 2013	Supply and Delivery of 500m ² - 80mm Interlocking Concrete Pavers in De Aar	Qongqo TG Trading	759 350

Table 46.: *Awards made by Accounting Officer*

d) Appeals Lodged by Aggrieved Bidders

No appeals were lodged.

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CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2012/13 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.

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

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

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

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the

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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.

3.1.1 Legislative requirements

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

3.1.2 Organisation performance

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

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

3.1.3 The performance system followed for 2012/13

a) Adoption of a Performance Management Framework

The municipality adopted a performance management framework that was approved by Council during January 2011.

b) The IDP and the budget

The IDP was reviewed for 2012/13 and approved by Council on 31 May 2012. The IDP process and the performance management process are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

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c) The Service Delivery Budget Implementation Plan

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

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

The MFMA Circular No.13 prescribes that:

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

The SDBIP were prepared as described in the paragraphs below and the Top Layer SDBIP approved by the Executive Mayor on 31 May 2012.

i) The municipal scorecard (Top Layer SDBIP)

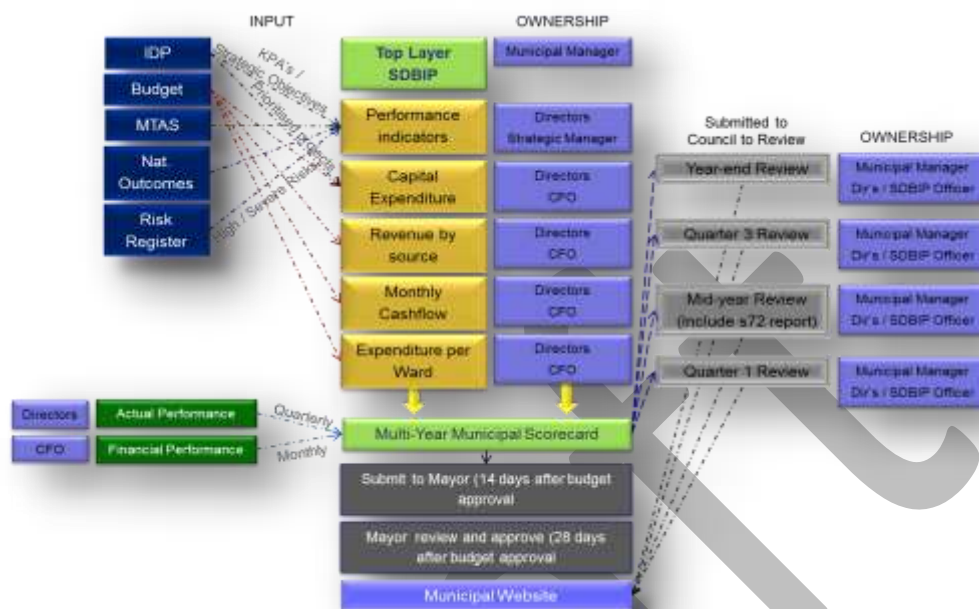
The municipal scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. Components of the Top Layer SDBIP include:

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

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- Detailed capital project plan broken down by ward over three years

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



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

- Key performance indicators (KPI's) for the programmes / activities identified to address the strategic objectives as documented in the IDP.
- KPI's that need to be reported to key municipal stakeholders.

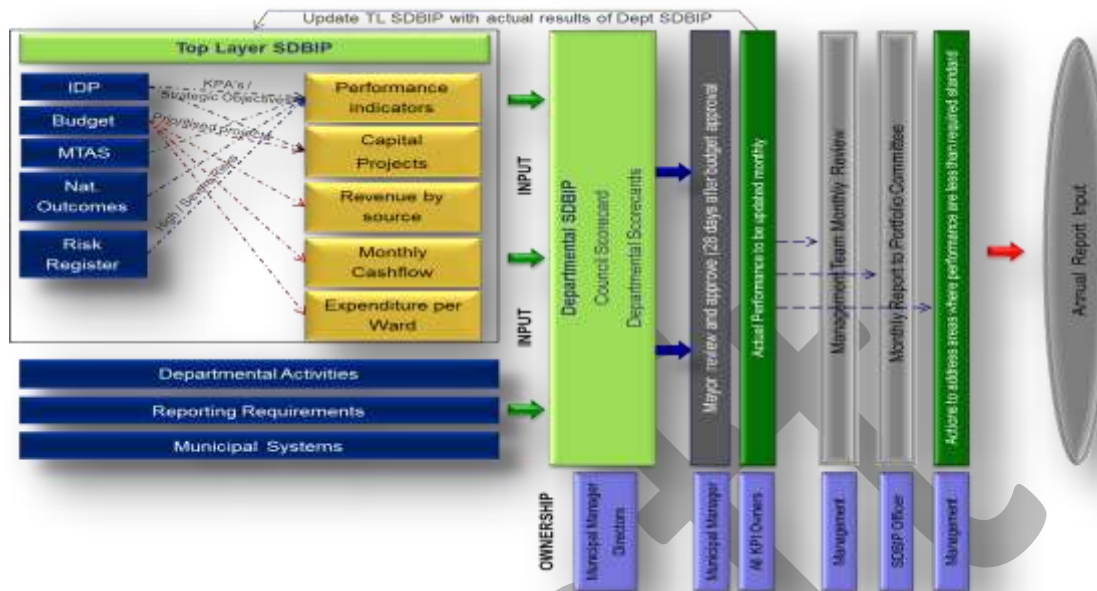
It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the POE's for reporting and auditing purposes.

ii) Directorate/Departmental scorecards

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

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



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

- Address the TL KPI's by means of KPI's for the relevant section responsible for the KPI.
- Address the key departmental activities.
- Each KPI have clear monthly targets and are assigned to the person responsible for the KPI's.

d) Actual performance

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

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

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

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3.1.4 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 s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2012/13 financial year was signed during July 2012 as prescribed.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2011/12 financial year (1 January 2012 to 30 June 2012) took place on 5 September 2012 and the mid-year performance of 2012/13 (1 July 2012 to 31 December 2012) took place on 19 February 2013.

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

b) Other municipal personnel

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

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3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2011/12

3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

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

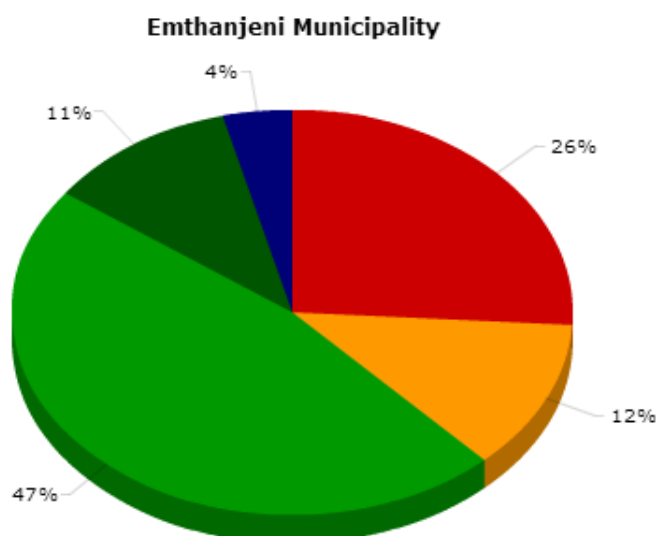
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the IDP (strategic) objectives.

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

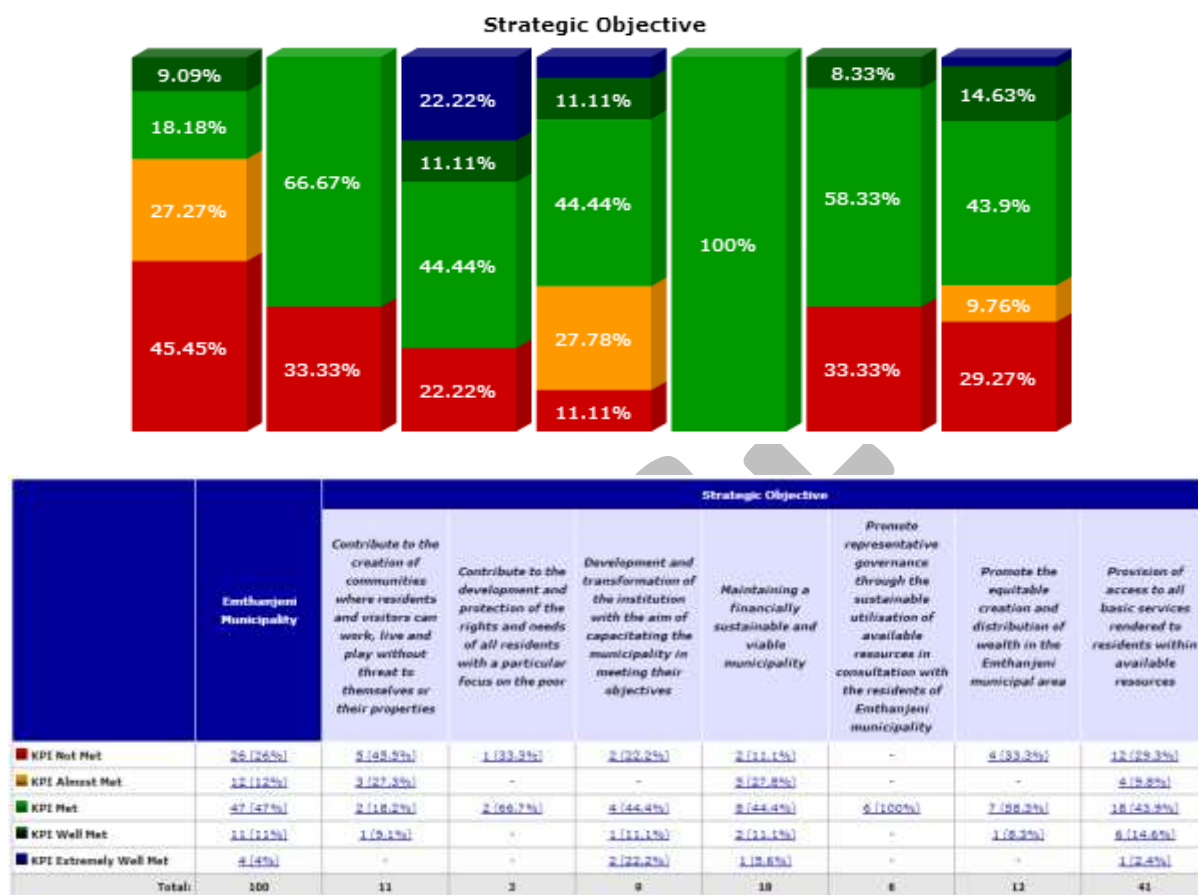
Category	Color	Explanation
KPI's Not Yet Measured	Grey	KPIs with no targets or actuals in the selected period.
KPI's Not Met	Red	0% >= Actual/Target < 75%
KPI's Almost Met	Orange	75% >= Actual/Target < 100%
KPI's Met	Green	Actual/Target = 100%
KPI's Well Met	Dark Green	100% > Actual/Target < 150%
KPI's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

Figure2 SDBIP Measurement Categories

The graph below displays the overall performance per Strategic objectives for 2012/13:



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Graph 5.: Top Layer SDBIP per Strategic objectives

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

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 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL22	Optimal collection of traffic fines issued for the financial year	% of fines collected	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	65%	65%	60%	O	Strict measures be put in place to ensure that targets are achieved
TL23	Law Enforcement initiative to decrease incidents affecting traffic safety	# of road blocks	All	New performance indicator for 2012/13. No comparatives available	6	6	6	6	24	18	O	Strict measures be put in place to ensure that targets are achieved

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Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL24	Participate in annual National Arrive Alive Programme	Number of joint operations	All	New performance indicator for 2012/13. No comparatives available	0	1	0	1	2	1	R	There seems to be lack of communication on the part of the Province with the local officers. Strengthen the mode of communication
TL25	Speed law enforcement (direct prosecution)	# of enforcement sessions	All	New performance indicator for 2012/13. No comparatives available	12	12	12	12	48	60	G 2	n/a
TL26	Implement AARTO	Number of MOU's signed	All	New performance indicator for 2012/13. No comparatives available	0	0	0	2	2	0	R	AARTO programme has not yet been implemented by Provincial Government
TL27	Road safety awareness campaigns held in all wards	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	0	0	7	0	7	0	R	Closer monitoring in the new financial year to ensure that target is met
TL28	Increase capacity of traffic services to optimize revenue collection	Number of staff appointed	All	New performance indicator for 2012/13. No comparatives available	0	2	0	0	2	2	G	n/a
TL29	Annually review and submit the Disaster Management Plan for assessment by the District by the end of March 2013	% completed	All	100%	0%	0%	100 %	0%	100%	100%	G	n/a
TL30	Inspect and assess infrastructure and role players to ensure disaster operational readiness and submit assessment report	Number of reports	All	New performance indicator for 2012/13. No comparatives available	0	0	1	0	1	0	R	To be done in 2013/14 financial year

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Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL31	Compile a contingency plan for Head Office and Infrastructure offices in Voortrekker-street by the end of June 2013	Number of plans	All	New performance indicator for 2012/13. No comparatives available	0	0	0	2	2	0	R	To be done in 2013/14 financial year
TL32	Reaction time to emergencies ito fire brigade services act (< 16 minutes) average response time	% Within 16 minutes	All	New performance indicator for 2012/13. No comparatives available	100 %	100 %	100 %	100 %	100%	89.58%	O	Due to the fact that traffic are not always readily available for calls, there is a delay. Measures will have to be implemented to improve availability

Table 47.: **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**

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 for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL19	Establish commonage committee by the end of December 2012	% established	All	New performance indicator for 2012/13. No comparatives available	0%	100%	0%	0%	100%	100%	G	n/a
TL20	Compile a rural development strategy by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	0%	R	Appointed a mentor for LED and will include this as well
TL21	Library awareness programmes through exhibitions	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	3	2	2	3	10	10	G	n/a

Table 48.: **Top Layer SDBIP – Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor**

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

Ref	KPI	Unit of Measure- ment	Ward	Previous Year Perfor- mance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL1	Percentage of the total municipal budget spent on skills development	% of the total municipal budget spent	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	0.70%	0.70%	0.90%	G 2	n/a
TL2	Percentage vacancy level as % of approved organogram (National norm between 10-15%)	% Vacancy level as % of approved organogra m	All	New performance indicator for 2012/13. No comparatives available	15%	15%	15%	15%	15%	13.50%	B	n/a
TL3	Compile a comprehensive Human Resource Plan by the end of June 2014	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	50%	50%	50%	G	n/a
TL4	Complete an abscondment and absenteeism policies	Number of policies	All	New performance indicator for 2012/13. No comparatives available	1	0	0	1	1	1	G	n/a
TL5	Establish a client service desk	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	50%	50%	50%	G	n/a
TL6	Review existing adopted by-laws	Number of by-laws	All	New performance indicator for 2012/13. No comparatives available	0	0	0	3	3	0	R	Strict measures be put in place to ensure that targets are achieved
TL7	Implement a system to monitor Council resolutions by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	1%	1%	5%	B	n/a
TL8	Implement the branding strategy of Emthanjeni by completing phase 4 and 5 by the end of June 2013	Number of phases	All	New performance indicator for 2012/13. No comparatives available	0	1	0	1	2	2	G	n/a

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Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL9	Compile a maintenance needs analysis for all municipal buildings and offices (libraries, halls, youth advisory centres offices, traffic department) by the end of June 2013	Number of analysis completed	All	New performance indicator for 2012/13. No comparatives available	0	0	0	5	5	0	R	Attempts to maintain the buildings are taking place though the analysis is not drafted down

Table 49.: **Top Layer SDBIP – Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives**

Top Layer SDBIP - Maintaining a financially sustainable and viable municipality

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL33	Improve the Audit Opinion from qualified to unqualified by end of 2012/13	% of target reached	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	100%	G	n/a
TL34	Submit annual financial statements by end August 2012	% of target reached	All	100%	100%	0%	0%	0%	100%	100%	G	n/a
TL35	Reporting monthly to Council on financial position ito sec71 of the MFMA	Number of reports	All	New performance indicator for 2012/13. No comparatives available	3	3	3	3	12	13	G 2	n/a
TL36	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investment s)/ Monthly fixed operating expenditure	All	0.94	0	0	0	1.1	1.1	1.09	O	Stringent Credit Control Mechanisms will be enforced to improve the cash flow position

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Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013						Corrective measures for targets not achieved	
					Target					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL37	Financial viability measured in terms of the municipality' s ability to meet it's service debt obligations	Debt coverage ((Total operating revenue-operating grants received)/ debt service payments due within the year)	All	5.6	0	0	0	2	2	4.15	B	n/a
TL38	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	83%	0%	0%	0%	67%	67%	57%	O	Stringent Credit Control Mechanisms will be enforced to improve the cash flow position
TL39	Provide 6kl of free basic water in terms of the equitable share requirements to indigent households	Number of HH receiving free basic water	All	2 540	7,500	7,500	7,500	7,500	7,500	7,500 (Average for the year)	G	n/a
TL40	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Number of HH receiving free basic sanitation	All	2 540	2,600	2,600	2,600	2,600	2,600	2,479 (Average for the year, rounded-off)	O	To ensure that all Indigent Households who qualify as Indigent Households, apply timeously for basic of Free Basic Services so that their application can be captured and process against the financial management system
TL41	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Quantum of free basic sanitation provided per household	All	R127.72	Q1: R 135.38 Q2: R 135.38 Q3: R 135.38 Q4: R 135.38				R 135.38	R 135.38	G	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013						Corrective measures for targets not achieved	
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	ments to indigent households											
TL42	Provide 50 kWh of free basic electricity in terms of the equitable share requirements to indigent households	Number of HH receiving free basic electricity	All	2 540	2,600	2,600	2,600	2,600	2,600	2,479 (Average for the year, rounded-off)	O	To ensure that all Indigent Households who qualify as Indigent Households, apply timeously for basic of Free Basic Services so that their application can be will be captured and process against the financial management system
TL43	Provision of free basic refuse removal in terms of the equitable share requirements to indigent households	Number of HH receiving free basic refuse removal	All	2 540	2,600	2,600	2,600	2,600	2,600	2,475 (Average for the year, rounded-off)	O	To ensure that all Indigent Households who qualify as Indigent Households, apply timeously for basic of Free Basic Services so that their application can be will be captured and process against the financial management system
TL44	Provision of free basic refuse removal in terms of the equitable share requirements to indigent households	Quantum of free basic refuse removal per month per household	All	R79.64	R 84.41	R 84.41	R 84.41	R 84.41	R 84.41	R 84.41	G	n/a
TL45	Compile a Revenue Enhancement Strategy and submit to Council by	% Completion	All	New performance indicator for 2012/13. No comparatives available	0%	0%	100%	0%	100%	0%	R	Plan to be submitted in the 2013/14 FY

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013						Corrective measures for targets not achieved	
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	end March 2013											
TL46	Implement the revenue enhancement strategy	Number of initiatives into strategy implemented	All	New performance indicator for 2012/13. No comparatives available	0	0	0	1	1	0.5	R	Credit Control will be more implemented more aggressively and the performance of VeriCred Credit Bureau will monitored very closely. Revenue enhancement contractor will be appointed during the 2013/2014 financial year
TL47	Achieve a payment percentage of above 80%	Payment %	All	83%	75%	75%	80%	80%	80%	106.2%	G2	n/a
TL48	Complete a General Valuation Roll by end June 2013	% Completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	100%	G	n/a
TL49	Review the SCM policy in line with legal requirements by end March 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	100%	0%	100%	100%	G	n/a
TL50	Prepare and submit to Council a main budget by end March 2013 and an adjustments budget by end February 2013	Approved main & adjustments budgets	All	New performance indicator for 2012/13. No comparatives available	0%	0%	100%	0%	100%	100%	G	n/a

Table 50.: **Top Layer SDBIP – Maintaining a financially sustainable and viable municipality**

Chapter 3: Service Delivery Performance

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 Measure -ment	Ward	Previous Year Performance	Overall Performance for 2012/2013						Corrective measures for targets not achieved	
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL94	Risk based audit plan approved annually by June 2013	Plan approved	All	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL95	Implement the RBAP	% implemented	All	New performance indicator for 2012/13. No comparatives available	20%	40%	50%	70%	70%	70%	G	n/a
TL96	Compile a service delivery and budget implementation plan in line municipal functions and approved budget by end June 2013	% completed	All	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL97	Monitor municipal performance with regard to service delivery and submit performance reports to Council	No of performance reports evaluated annually	All	New performance indicator for 2012/13. No comparatives available	1	1	1	1	4	4	G	n/a
TL101	Implement public education campaigns on municipal services and natural resources	Number of education campaigns implemented	All	New performance indicator for 2012/13. No comparatives available	0	0	1	0	1	1	G	n/a
TL103	Implement the Public Participation Policy	Number of initiatives implemented	All	New performance indicator for 2012/13. No comparatives available	0	0	0	1	1	1	G	n/a

Table 51.: *Top Layer SDBIP – Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality*

Chapter 3: Service Delivery Performance

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

Ref	KPI	Unit of Measure- ment	Ward	Previous Year Perform- ance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL10	Implement initiatives within the LED strategy by the end of June 2013	Number of initiatives implemented	All	0	0	0	0	2	2	2	G	n/a
TL11	Assist entrepreneurs to become co-operatives	Number of entrepreneurs	All	New performance indicator for 2012/13. No comparatives available	0	0	0	2	2	1	R	Some entrepreneur have been assisted but not yet to the level of the cooperatives. Will try harder to assit.
TL12	Supply chain workshops held for SMME's	Number of workshops	All	New performance indicator for 2012/13. No comparatives available	0	1	0	1	2	0	R	In future a focus should be placed only on the entrepreneurs of Emthanjeni
TL13	Improved skills development for local economic development	Number of workshops organised	All	New performance indicator for 2012/13. No comparatives available	0	1	0	1	2	0	R	Could not have workshops in this FY, but will strive very hard to get there
TL14	Submit a business plan for Tourism by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	0%	R	Plan to be submitted in the 2013/14 FY, a draft is ready and needs approval
TL15	Decrease substance abuse and crime through public awareness campaigns regarding substance abuse and crime	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	0	0	0	1	1	1	G	n/a
TL16	Implement gender development programmes	Number of programs	All	New performance indicator for 2012/13. No	1	0	0	0	1	1	G	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
				comparatives available								
TL17	Commemoration of Youth Day	Youth day	All	New performance indicator for 2012/13. No comparatives available	0	0	0	1	1	1	G	n/a
TL18	Implement youth development programs	Number of programs	All	New performance indicator for 2012/13. No comparatives available	0	0	0	3	3	3	G	n/a
TL51	Jobs opportunities created through EPWP initiatives including capital projects	Number of opportunities	All	New performance indicator for 2012/13. No comparatives available	40	30	30	40	140	191	G 2	n/a
TL52	Implement ward projects	Number of projects	All	New performance indicator for 2012/13. No comparatives available	0	0	7	0	7	7	G	n/a
TL102	Luring of investors into the municipal area	Number of initiatives	All	New performance indicator for 2012/13. No comparatives available	0	0	1	0	1	1	G	n/a

Table 52.: **Top Layer SDBIP – Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area**

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 for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL53	Approve building plans within 1 month after payment has been received and	% approved within 1 month	All	New performance indicator for 2012/13. No comparatives available	95%	95%	95%	95%	95%	96%	G 2	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	after receipt of all outstanding information											
TL54	Provide services for new housing sites	Number of serviced sites	All	New performance indicator for 2012/13. No comparatives available	0	0	0	200	200	0	R	Approval of layout plan from COGSHTA delayed. Construction of services to start in 2013/14 Financial year.(470 sites)
TL55	Implement the Water Conservation and Water Demand Management project funded by DWA	% of approved funding spent	All	100%	0	0	100	0	100	100	G	n/a
TL56	Maintain water assets with the approved maintenance budget	% of maintenance budget of water spent	All	95%	0%	40%	0%	95%	95%	98.5%	G 2	n/a
TL57	Plan new boreholes for De Aar with the facilitating of approval from Department of Water Affairs	Approval facilitated by June 2013	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100 %	100%	100%	G	n/a
TL58	Limit unaccounted water	% of water unaccounted for	All	16.8	19.5 %	19.5 %	19.5 %	19.5 %	19.50%	19.5%	G	n/a
TL59	Water quality as per blue drop	% water quality level	All	New performance indicator for 2012/13. No comparatives available	70%	70%	70%	70%	70%	99%	G 2	n/a
TL60	Households with piped water inside dwelling	Number of households	All	7500	4,885	4,885	4,885	4,885	4,885	4,885	G	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL61	Households with piped water inside yard	Number of households	All	7500	2,967	2,967	2,967	2,967	2,967	2,967	G	n/a
TL62	Households using public tap	Number of households	All	New performance indicator for 2012/13. No comparatives available	189	189	189	189	189	189	G	n/a
TL63	Provide households with new water connections	Number of households	All	New performance indicator for 2012/13. No comparatives available	0	0	0	115	115	54	R	As soon as other houses completed, water connections to be done
TL64	Upgrade De Aar Waste Water Treatment Works	% of grant funding spent	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	80%	80%	0%	R	Consultant to be appointed in 2013/14 financial year
TL65	Upgrade UDS sanitation system to full waterborne in Hanover	Approved business plan	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	0%	R	Approved at Council, but MIG rejected. Will investigate other funding options
TL66	Upgrade UDS sanitation system to full waterborne in Britstown	Approved business plan	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	0%	R	Approved at Council, but MIG rejected. Will investigate other funding options
TL67	Maintain sanitation assets	% of maintenance budget of sanitation spent	All	95%	0%	40%	0%	95%	95%	86.2%	O	Closer monitoring of spending in the new financial year to ensure that target is met To monitor spending monthly
TL68	Quality of waste water discharge measured in terms of Green Drop	% water quality level of waste water discharge	All	21%	20%	20%	20%	20%	20%	25%	G 2	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL69	Households with flush toilet connected to sewerage distribution network	Number of households	All	7500	6,163	6,163	6,163	6,163	6,163	6,163	G	n/a
TL70	Households with flush toilet with septic tank	Number of households	All	New performance indicator for 2012/13. No comparatives available	1,023	1,023	1,023	1,023	1,023	1,023	G	n/a
TL71	Households with ventilated pit toilet	Number of households	All	New performance indicator for 2012/13. No comparatives available	14	14	14	14	14	14	G	n/a
TL72	Households with other toilet provisions	Number of households	All	New performance indicator for 2012/13. No comparatives available	681	681	681	681	681	681	G	n/a
TL73	Households with bucket toilet	Number of households	All	New performance indicator for 2012/13. No comparatives available	536	536	536	536	536	536	G	n/a
TL74	Households provided with new sanitation connections	Number of households	All	New performance indicator for 2012/13. No comparatives available	0	0	0	115	115	54	R	As soon as other houses completed, water connections to be done.
TL75	Provide new tar roads	Number of kilometers	All	1	0	0	0	1	1	0	R	Tenders to be awarded in 2013/14 financial year.
TL76	Maintain municipal roads	% of maintenance of roads spent	All	95%	0%	30%	0%	90%	90%	94.6%	G 2	n/a
TL77	Reseal existing tar roads	Number of kilometers	All	New performance indicator for 2012/13. No comparatives available	0	0	0	1	1	1.09	G 2	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL78	Remove waste weekly as per schedules	% implementation of schedules	All	New performance indicator for 2012/13. No comparatives available	95%	95%	95%	95%	95%	95%	G	n/a
TL79	Households with refuse removed at least once a week	Number of households	All	7500	8,041	8,041	8,041	8,041	8,041	8,041	G	n/a
TL80	Upgrade the stormwater system in municipal area	% completion	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	90%	O	Contract completion is Sept 2013
TL81	Maintain storm water assets	% of maintenance budget of storm water spent	All	95%	0%	40%	0%	95%	95%	8.9%	R	Closer monitoring of spending in the new financial year to ensure that target is met To monitor spending monthly.
TL82	Develop a business plan and submit to Council for approval of Phase 2 of the storm water project	% completion	All	New performance indicator for 2012/13. No comparatives available	0%	100%	0%	0%	100%	100%	G	n/a
TL83	Manage the electrical provisioning system to limit losses	% of electricity unaccounted for	All	21%	0%	0%	0%	22%	22%	16%	B	n/a
TL84	Completion of high voltage connection to new hospital	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	100%	G	n/a
TL85	Develop a Sewerage Master plan and submit to Council for approval	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	100%	G	n/a

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013							Corrective measures for targets not achieved
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
TL86	Households with at least minimum service level electricity	Number of households	All	7500	8,041	8,041	8,041	8,041	8,041	8,041	G	n/a
TL87	Replace streetlight bulbs within 10 working days after reporting	% within 10 working days	All	New performance indicator for 2012/13. No comparatives available	80%	80%	80%	80%	80%	65%	O	Improve record keeping
TL88	Construct the new cemetery in Britstown	% spent of approved capital budget	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	100%	100%	18%	R	Closer monitoring of spending in the new financial year to ensure that target is met To monitor monthly
TL89	Investigate a new cemetery for De Aar and submit report with recommendations to Council	% completed	All	New performance indicator for 2012/13. No comparatives available	0%	100%	0%	0%	100%	100%	G	n/a
TL90	Maintain parks, recreational facilities and swimming pools	% of maintenance budget spent	All	New performance indicator for 2012/13. No comparatives available	0%	40%	0%	95%	95%	81.4%	O	Closer monitoring of spending in the new financial year to ensure that target is met To monitor monthly
TL91	Investigate and reports on maintenance of community halls and submit quarterly inspection reports	Number of reports	All	New performance indicator for 2012/13. No comparatives available	1	1	1	1	4	2	R	Improve record keeping.
TL92	Implement a vehicle tracking system	Tracking system	All	New performance indicator for 2012/13. No comparatives available	0%	0%	0%	80%	80%	0%	R	Not implemented. Not budgeted. To ensure budgeting for in 2014/15
TL93	Implement the vehicle policy with monthly inspection of	Number of reports	All	New performance indicator for 2012/13. No	3	3	3	3	12	3	R	Monthly reports to be submitted by manager and supervisors

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance for 2012/2013						Corrective measures for targets not achieved	
					Target					Actual		R
					Q1	Q2	Q3	Q4	Annual			
	vehicles and submitting of inspection reports			comparatives available								

Table 53.: **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. A service provider:

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

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

3.2.2 Municipal Functions

a) Analysis of Functions

The municipal functional areas are as indicated below:

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

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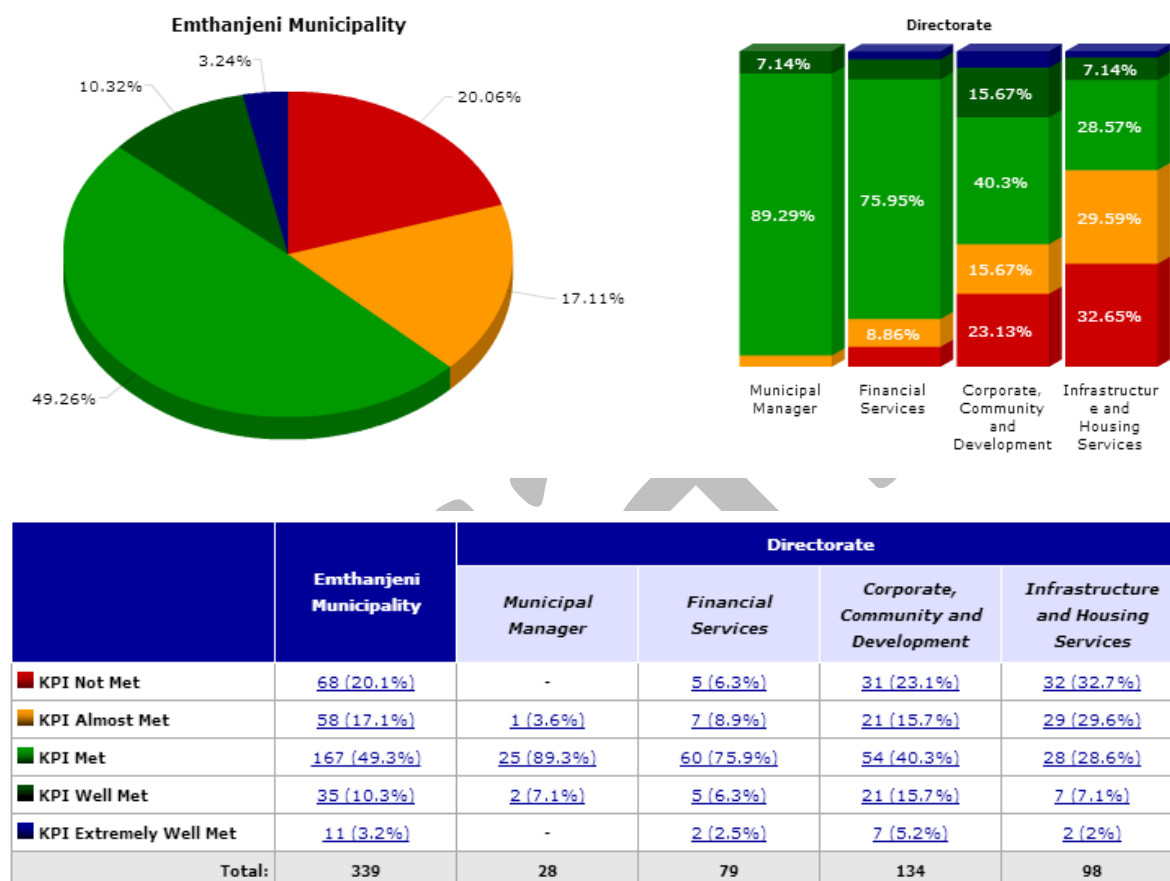
Municipal Function	Municipal Function (Yes/ No)
Fire fighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities 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
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

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Municipal Function	Municipal Function (Yes/ No)
Street lighting	Yes
Traffic and parking	Yes

Table 54.: *Functional Areas*

b) Overall performance per directorate



Graph 6.: *Departmental SDBIP Performance per Directorate*

c) High level performance per department

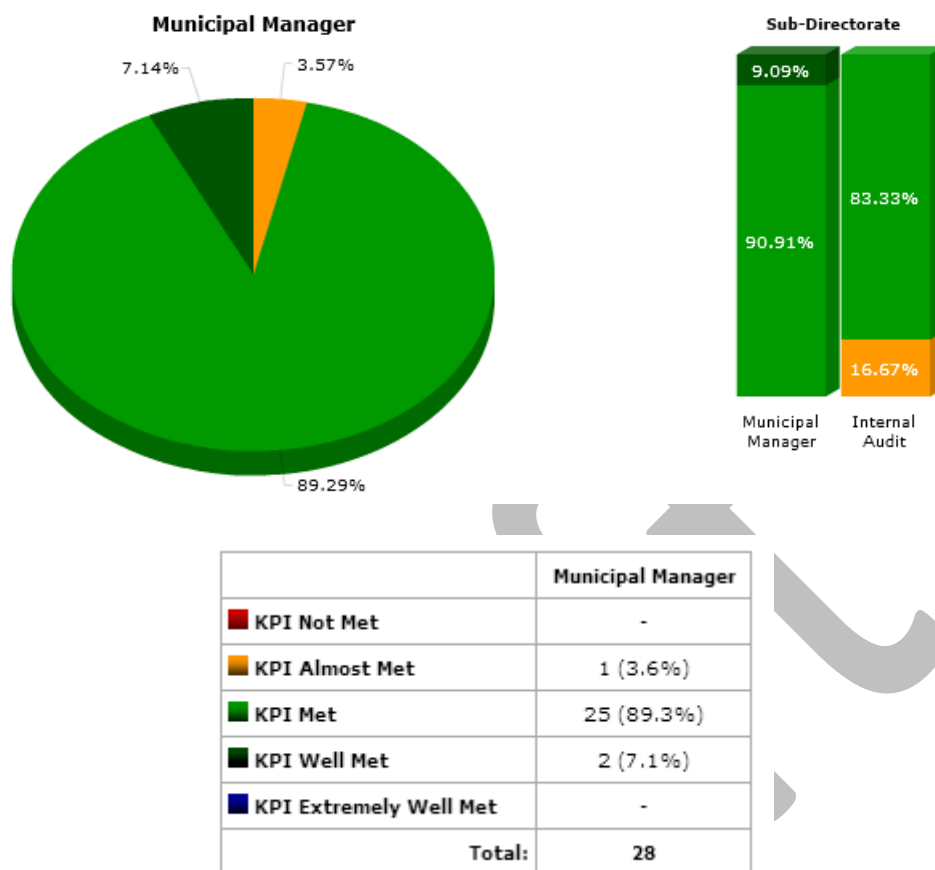
Office of the Municipal Manager

Office of the Municipal Manager consists of the following divisions:

- Municipal Manager
- Internal Audit

Performance of the various sub-directorates within Office of the Municipal Manager

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Graph 7.: *Office of the Municipal Manager*

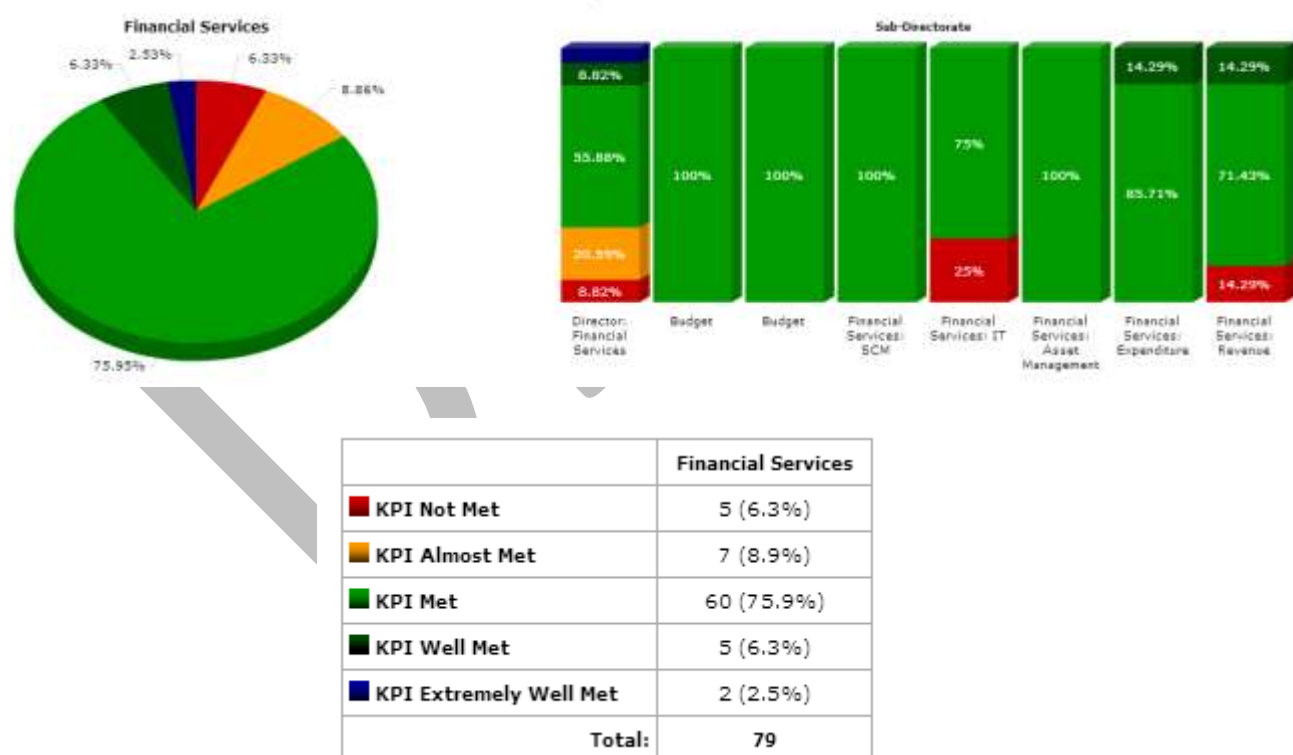
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Financial Services

Financial Services consists of the following divisions:

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

Performance of the various sub-directorates within Financial Services



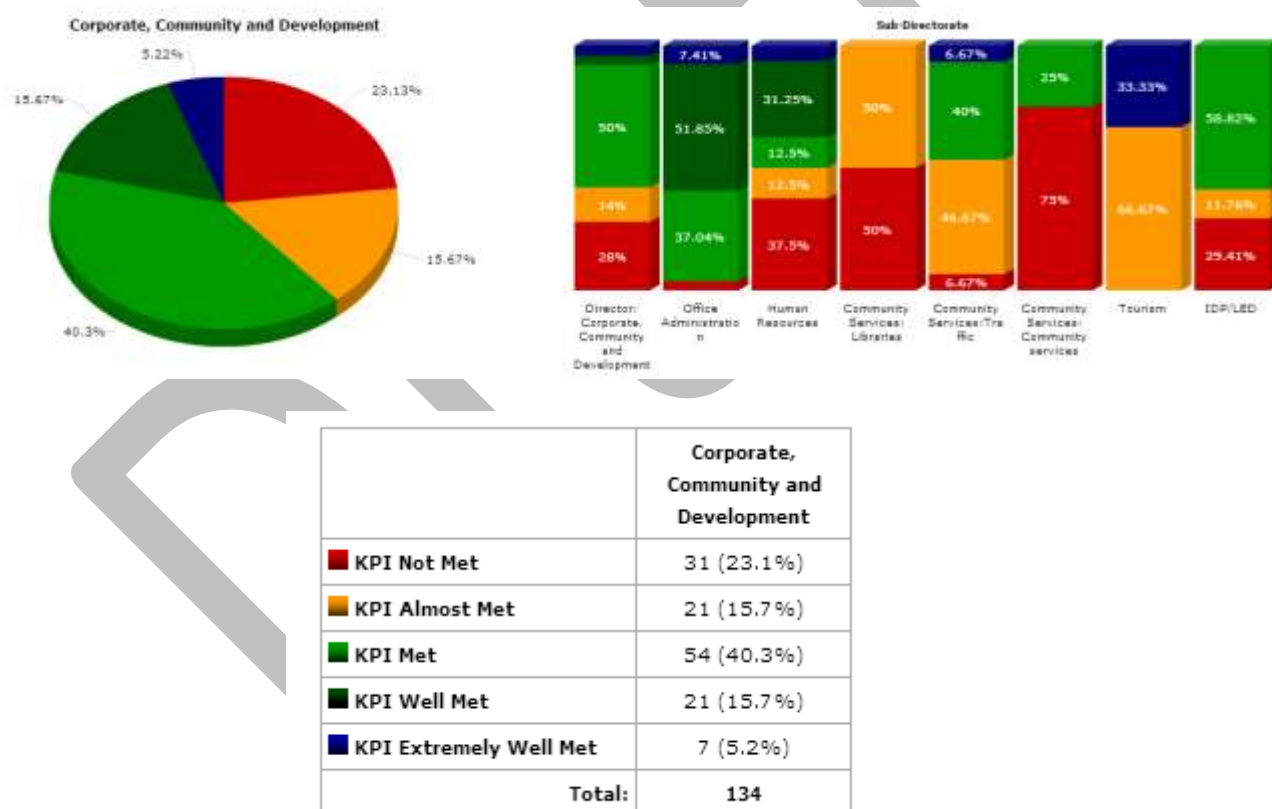
Graph 8.: *SDBIP Financial Services*

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Corporate, Community and Development consists of the following divisions:

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

Performance of the various sub-directorates within Corporate, Community and Development Services



Graph 9.: *Corporate, Community and Development Services*

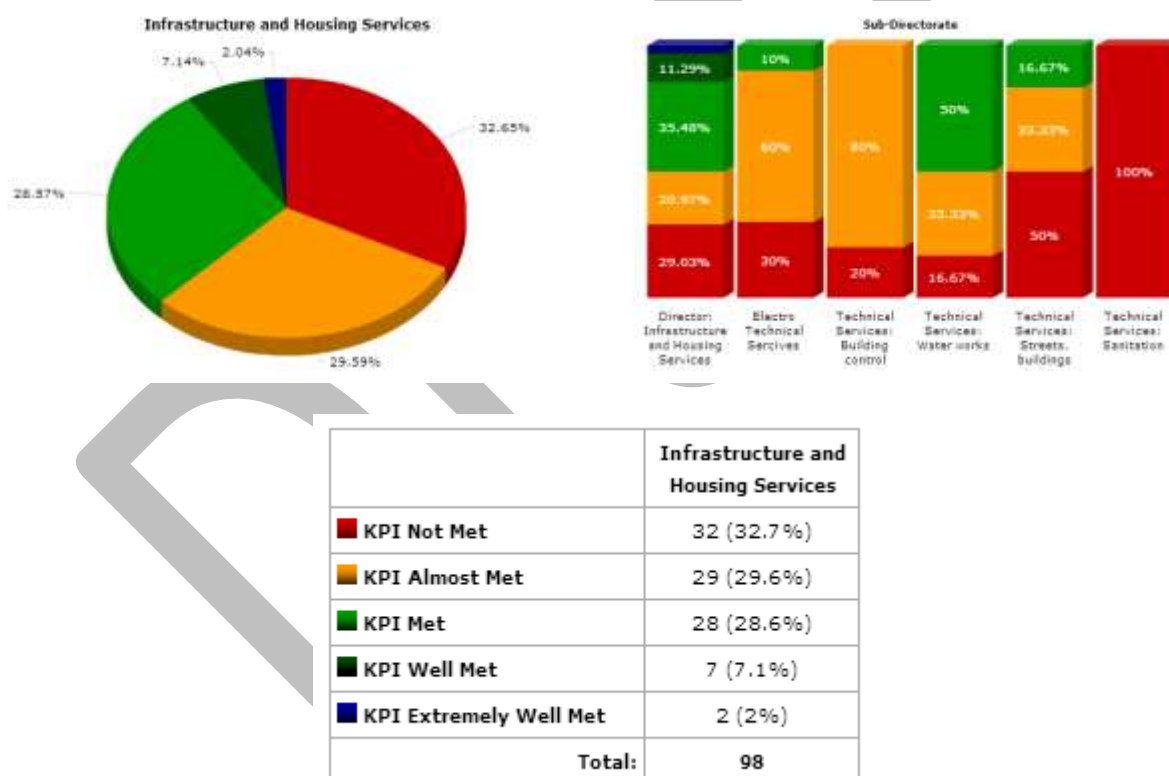
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Infrastructure and Housing Services

Infrastructure and Housing Services consists of the following divisions:

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

Performance of the various sub-directorates within Infrastructure and Housing Services



Graph 10.: **Infrastructure and Housing Services SDBIP**

Chapter 3: Service Delivery Performance

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 and Sanitation Provision

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

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

The 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 past year were 19.26% compared to 16,85% in the previous year.

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

b) Challenges: Water Services

Description	Actions to address
Improving the potable water quality to "Blue drop" standards	Disinfect system to be installed
On site water losses	Water Conservation and Water Demand Management (WCWDM) Project

Table 55.: *Water Services Challenges*

Total Use of Water by Sector (cubic meters)					
Year	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2011/12	0	0	23 718	2 341 441	479 141
2012/13	0	0	22 167	2 396 310	565 117

Table 56.: *Total use of water by sector (cubic meters)*

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c) Service Delivery Levels: Water Services

Water Service Delivery Levels		
Households		
Description	2011/12	2012/13
	Actual	Actual
	No.	No.
<u>Water: (above min level)</u>		
Piped water inside dwelling	4 885	4 885
Piped water inside yard (but not in dwelling)	2 967	2 967
Using public tap (within 200m from dwelling)	189	189
Other water supply (within 200m)	0	0
<i>Minimum Service Level and Above sub-total</i>	8 041	8 041
<i>Minimum Service Level and Above Percentage</i>	100	100
<u>Water: (below min level)</u>		
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
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	8 041	8 041
<i>Include informal settlements</i>		

Table 57.: **Water service delivery levels: Households**

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#
2011/12	189	7 852	8 041
2012/13	189	7 852	8 041
<p><i>* 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</i></p> <p><i># 6,000 litres of potable water supplied per formal connection per month</i></p>			

Table 58.: **Access to water**

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d) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL55	Implement the Water Conservation and Water Demand Management project funded by DWA	% of approved funding spent	All	100%	100	100	G
TL56	Maintain water assets with the approved maintenance budget	% of maintenance budget of water spent	All	95%	95%	98.50%	G 2
TL57	Plan new boreholes for De Aar with the facilitating of approval from Department of Water Affairs	Approval facilitated by June 2013	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL58	Limit unaccounted water	% of water unaccounted for	All	16.8	19.50%	19.50%	G
TL59	Water quality as per blue drop	% water quality level	All	New performance indicator for 2012/13. No comparatives available	70%	99%	G 2
TL60	Households with piped water inside dwelling	Number of households	All	7500	4,885	4,885	G
TL61	Households with piped water inside yard	Number of households	All	7500	2,967	2,967	G
TL62	Households using public tap	Number of households	All	New performance indicator for 2012/13. No comparatives available	189	189	G
TL63	Provide households with new water connections	Number of households	All	New performance indicator for 2012/13. No comparatives available	115	54	R

Table 59.: **Service delivery indicators: Water services**

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e) Employees: Water Services

Employees: Water Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	16	7	9	56
4 - 6	17	14	3	18
7 - 9	3	1	2	67
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	37	23	14	38

Table 60.: *Employees: Water Services*

f) Capital: Water Services

Capital Expenditure 2011/12: Water Services					
R'000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Replace 1,4km waterpipe at Caroluspoort boreholes	230	230	230	0	230

Table 61.: *Capital Expenditure 2012/13: Water Services*

3.3.2 Waste water (sanitation) provision

a) Introduction to Sanitation Provision

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

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

The De Aar purification works have to be upgraded urgently and project approval has been obtained from MIG during the past year. The upgrading will start during 2013/2014 and completion during 2014/15.

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

b) Challenges: Waste Water (Sanitation) Provision

Description	Actions to address
The municipality has in the past installed dry sanitation toilets (UDS) in Britstown and Hanover but these have been the source of much dissatisfaction among the residents. Britstown has by far the largest problem where the dry sanitation has been installed but rejected by the community who has reverted to the use of buckets.	Application for additional funding from other spheres of government
Upgrading De Aar Waste Water Treatment Works	Appointment of Consulting Engineers. Project will start during 2013/14 financial year.

Table 62.: **Waste Water (Sanitation) Provision Challenges**

The table below specifies the different sanitation service delivery levels per households for the financial years 2011/12 and 2012/13 in the areas in which the municipality is responsible for the delivery of the service:

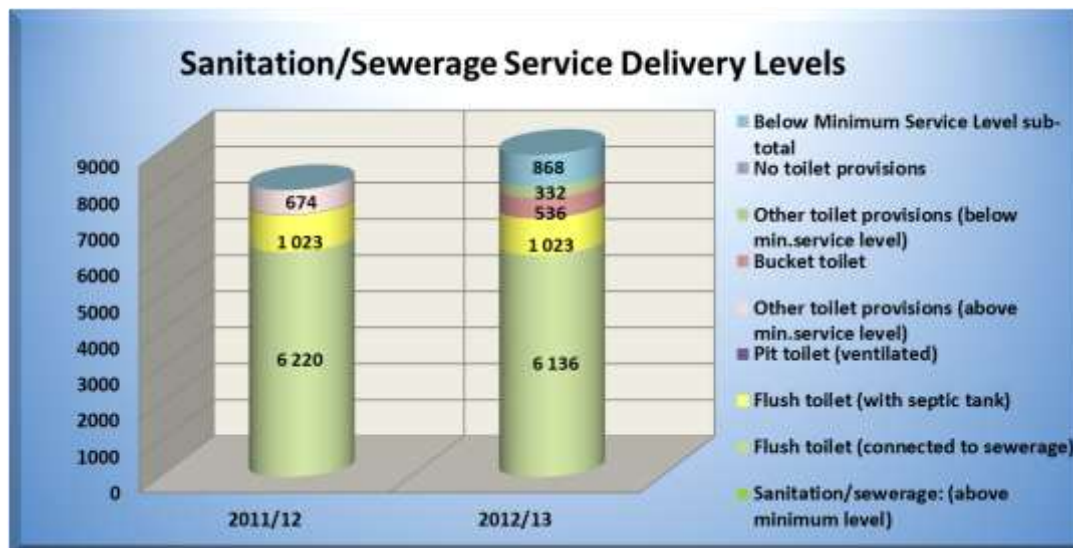
c) Services Delivery levels: Sanitation

Sanitation Service Delivery Levels		
Households		
Description	2011/12	2012/13
	Outcome	Actual
	No.	No.
<u>Sanitation/sewerage: (above minimum level)</u>		
Flush toilet (connected to sewerage)	6 220	6 136
Flush toilet (with septic tank)	1 023	1 023
Chemical toilet	0	0
Pit toilet (ventilated)	14	14
Other toilet provisions (above min.service level)	674	0
<i>Minimum Service Level and Above sub-total</i>	7 931	7 173
<i>Minimum Service Level and Above Percentage</i>	100	89.2
<u>Sanitation/sewerage: (below minimum level)</u>		
Bucket toilet	0	536
Other toilet provisions (below min.service level)	0	332
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	0	868
<i>Below Minimum Service Level Percentage</i>	0	10.8

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Total households	7 931	8 041
<i>Including informal settlements</i>		

Table 63.: **Sanitation service delivery levels**



Graph 11.: **Sanitation/Sewerage Service Delivery Levels**

d) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL64	Upgrade De Aar Waste Water Treatment Works	% of grant funding spent	All	New performance indicator for 2012/13. No comparatives available	80%	0%	R
TL65	Upgrade UDS sanitation system to full waterborne in Hanover	Approved business plan	All	New performance indicator for 2012/13. No comparatives available	100%	0%	R
TL66	Upgrade UDS sanitation system to full waterborne in Britstown	Approved business plan	All	New performance indicator for 2012/13. No comparatives available	100%	0%	R
TL67	Maintain sanitation assets	% of maintenance budget of sanitation spent	All	95%	95%	86.20%	O
TL68	Quality of waste water discharge measured in terms of Green Drop	% water quality level of waste water discharge	All	21%	20%	25%	G 2

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL69	Households with flush toilet connected to sewerage distribution network	Number of households	All	7500	6,163	6,163	G
TL70	Households with flush toilet with septic tank	Number of households	All	New performance indicator for 2012/13. No comparatives available	1,023	1,023	G
TL71	Households with ventilated pit toilet	Number of households	All	New performance indicator for 2012/13. No comparatives available	14	14	G
TL72	Households with other toilet provisions	Number of households	All	New performance indicator for 2012/13. No comparatives available	681	681	G
TL73	Households with bucket toilet	Number of households	All	New performance indicator for 2012/13. No comparatives available	536	536	G
TL74	Households provided with new sanitation connections	Number of households	All	New performance indicator for 2012/13. No comparatives available	115	54	R

Table 64.: *Service delivery indicators: Waste Water (Sanitation) Provision*

e) Employees: Sanitation Services

Employees: Sanitation Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	18	17	1	6
4 - 6	3	3	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
19 - 20	0	0	0	0
Total	21	20	1	5

Table 65.: *Employees Waste Water (Sanitation) Provision*

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f) Capital: Sanitation Services

Capital Expenditure 2012/13: Sanitation Services					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Upgrading De Aar WWTW	5 200	5 200	6 000	800	6 000

Table 66.: Capital Expenditure 2012/13: 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 2011/12 financial year was **21%** whilst the losses in the 2012/2012 financial year were only **15%**. This outcome gives an end result of **6%** reduction in energy losses that is a huge achievement for the Municipality.

Service backlogs

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

Highlights	Description
Network still holding on no faults reported. Most of the customers are happy	Almost 30 upgrade connections done during winter.

Table 67.: Electricity Highlights

c) Challenges: Electricity

Description	Actions to address
Meter tampering and bypassing of system	Meter controller to be appointed.

Table 68.: Electricity Challenges

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d) Service Delivery Levels: Electricity

Electricity Service Delivery Levels		
Households		
Description	2011/12	2012/13
	Actual	Actual
	No.	No.
<i>Energy: (above minimum level)</i>		
Electricity (at least min.service level)	1 841	1 841
Electricity - prepaid (min.service level)	6 200	6 200
<i>Minimum Service Level and Above sub-total</i>	8 041	8 041
<i>Minimum Service Level and Above Percentage</i>	100	100
<i>Energy: (below minimum level)</i>		
Electricity (< min.service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	8 041	8 041

Table 69.: *Electricity service delivery levels*

e) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL83	Manage the electrical provisioning system to limit losses	% of electricity unaccounted for	All	21%	22%	16%	B
TL84	Completion of high voltage connection to new hospital	% completed	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL85	Develop a Sewerage Master plan and submit to Council for approval	% completed	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL86	Households with at least minimum service level electricity	Number of households	All	7500	8,041	8,041	G

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL87	Replace streetlight bulbs within 10 working days after reporting	% within 10 working days	All	New performance indicator for 2012/13. No comparatives available	80%	65%	0

Table 70.: *Service delivery indicators: Electricity*

f) Employees: Electricity

Employees: Electricity Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	9	7	2	22
4 - 6	11	8	3	27
7 - 9	4	4	0	0
10 - 12	8	6	2	25
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	33	26	7	21

Table 71.: *Employees: Electricity Services*

g) Capital: Electricity

Capital Expenditure 2012/13: Electricity Services					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
De Aar 70 connections	800	800	77	(723)	800

Table 72.: *Capital Expenditure 2012/13: Electricity Services*

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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.

b) Challenges: Waste Management

Description	Actions to address
Although the municipality tries to prevent illegal dumping by providing facilities around the towns for the disposal of waste the dumping of waste on public or private properties still occurs.	Temporary workers used to clean –up residential areas on a regular basis.

Table 73.: **Waste Management Challenges**

c) Service Delivery Levels: Solid Waste

Solid Waste Service Delivery Levels		
Description	Households	
	2011/12	2012/13
	Actual	Actual
	No.	No.
<i>Solid Waste Removal: (Minimum level)</i>		
Removed at least once a week	8 041	8 041
<i>Minimum Service Level and Above sub-total</i>	8 041	8 041
<i>Minimum Service Level and Above percentage</i>	100	100
<i>Solid Waste Removal: (Below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level percentage</i>	0	0
Total number of households	8 041	8 041

Table 74.: **Solid Waste Service Delivery Levels**

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d) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL78	Remove waste weekly as per schedules	% implementation of schedules	All	New performance indicator for 2012/13. No comparatives available	95%	95%	G
TL79	Households with refuse removed at least once a week	Number of households	All	7500	8,041	8,041	G

Table 75.: *Service delivery indicators: Solid waste management*

e) Employees: Solid Waste Services

Employees: Solid Waste Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	64	49	15	23
4 - 6	9	8	1	11
7 - 9	5	2	3	60
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	78	59	19	24

Table 76.: *Employees: Solid Waste Services*

f) Capital: Solid Waste Services

There were no capital project for the 2012/13 financial year.

3.3.5 Housing

a) Introduction to Housing

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

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

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

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

Housing need:

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

- Subsidy housing >R3 500 per
- Gap housing-R3 500-R15 000 per month

Given the strategic decision to focus in the first instance on subsidy and Gap housing, the needs can be summarized as follows:

Subsidy	3999
Gap	1360

Prioritised housing sites

Site	Property	Units
Subsidy: Priority 1		
Hanover 470	IRDP	470
Subsidy Priority 2		
De Aar 457	IRDP	457
Subsidy Priority 3		
Britstown 400	IRDP	400
De Aar 1000	IRDP	1 000
Total		1 400
Subsidy Grand Total		2 327

Table 77.: *Prioritised housing sites*

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b) Highlights: Housing

Highlights	Description
Emthanjeni 4114	A Scoping Report & Feasibility
	Study was done to source funding to eradicate the entire housing backlog in Emthanjeni

Table 78.: *Housing Highlights*

c) Challenges: Housing

Description	Actions to address
Unskilled Labour	NHBRC to give training
SMME Development in Housing	Assist emerging contractors & local brick makers

Table 79.: *Housing Challenges*

d) Housing Statistics

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
2011/12	8 041	7 882	98
2012/13	8 094	7 905	97.7

Table 80.: *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 3999 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2011/12	4 114	16
2012/13	3 999	14

Table 81.: *Housing waiting list*

A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000			
2012/13	7 741	7 491	95	115	0

Table 82.: *Houses built in 2012/13*

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e) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance 2012/13		
					Target	Actual	R
TL54	Provide services for new housing sites	Number of serviced sites	All	New performance indicator for 2012/13. No comparatives available	200	0	R

Table 83.: *Service delivery indicators: Housing*

f) Employees: Housing

Employees: Housing				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	4	5	56
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	12	7	5	42

Table 84.: *Employees: Housing*

g) Capital: Housing

Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Total All	7 408	0	7 408	0	7 408
Hanover 45	2 674	0	2 674	0	2 674
De Aar 9	532	0	532	0	R532
De Aar 61	3 524	0	3 524	0	3 524
Hanover 450	678	0	678	0	678

Table 85.: *Capital Expenditure 2012/13: Housing*

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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 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 FBE 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 100** 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 **21.86%** of the total number of households received free basic services in 2011/12 financial year whilst it increased to **22.70%** in the 2012/13 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	%
2011/12	12 500	2 733	21.86	2 733	21.86	2 733	21.86	2 733	21.86
2012/13	12 615	2 864	22.70	2 864	22.70	2 864	22.70	2 864	22.70

Table 86.: *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
2011/12	2 424	32.68	951	9 767	32.68	0	309	32.68	121
2012/13	2 496	34.77	1 041	9 751	34.77	0	368	34.77	154

Table 87.: *Free basic Water services to indigent households*

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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
2011/12	2 733	52.71	1 729	9 767	52.71	6 178
2012/13	2 864	55.87	1 920	9 751	55.87	6 538

Table 88.: *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
2011/12	2 733	127.71	4 188	9 767	127.71	0
2012/13	2 864	135.58	4 660	9 751	135.58	0

Table 89.: *Free basic Water 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
2011/12	2 733	(1) once	2 612	9 767	79.64	0
2012/13	2 864	(1) once	2 901	9 751	84.42	0

Table 90.: *Free basic Refuse Removal services to indigent households per type of service*

Financial Performance 2012/13: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2011/12	2012/13			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Water	1 297	2 023	2 023	1 393	-31%
Waste Water (Sanitation)	1 847	4 900	4 900	1 978	-60%
Electricity	362	1 989	1 989	367	-82%
Waste Management (Solid Waste)	2 687	3 055	3 055	2 579	-16%
Total	6 193	11 968	11 968	6 316	-47%

Table 91.: *Financial Performance 2012/13: Cost to Municipality of Free Basic Services Delivered*

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3.4 COMPONENT B: ROAD TRANSPORT

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

3.4.1 Roads

a) Introduction to Roads

A total of 1,089 km (9708m²) road was resealing with a total of 1200 man days created.

At present 65% of all municipal streets are still gravel roads which cause a great deal of inconvenience following rain and during strong wind. During the past year the municipality tarred 1.0 km new streets from own funds. The construction plans of the tarring of 8 km main roads will start the 2013/2014 financial year.

b) Highlights: Roads

Highlights	Description
Road maintenance	Resealing of 1,089 km of road

Table 92.: *Roads Highlights*

c) Challenges: Roads

Description	Actions to address
At present 65% of all roads are still gravel roads and major problems are experienced with dust and storm water problems.	Application for additional funding from other spheres of government.
The tarred roads are in urgent need of resealing and problems are experienced with potholes especially after rain. During the past year potholes were repair on a regular basis.	

Table 93.: *Roads Challenges*

d) Statistics: Roads

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2011/12	130	0	1.00	129.00
2012/13	130	0	0.12	128.88

Table 94.: *Gravel road infrastructure*

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Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2011/12	74.42	1.00	0	1.00	73.54
2012/13	74.54	0.12	0	1.1	73.54

Table 95.: **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'000		
2012/13	2 944	293	1 025
* The cost for maintenance include stormwater			

Table 96.: **Cost of construction/maintenance of roads**

e) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for Sep 2012 to Jun 2013		
					Target	Actual	R
TL75	Provide new tar roads	Number of kilometers	All	1	1	0	R
TL76	Maintain municipal roads	% of maintenance of roads spent	All	95%	90%	94.60%	G 2
TL77	Reseal existing tar roads	Number of kilometers	All	New performance indicator for 2012/13. No comparatives available	1	1.09	G 2

Table 97.: **Service delivery indicators: Road transport**

f) Employees: Roads

Employees: Roads				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	20	12	8	40
4 - 6	21	14	7	33
7 - 9	3	1	2	66
10 - 12	1	1	0	0

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Employees: Roads				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	45	28	17	38

Table 98.: *Employees: Roads*

g) Capital: Roads

Capital Expenditure 2012/13: Roads					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	4 434	4 434	3 654	(780)	34 234
New streets(Own funds)	2 634	2 634	0	0	2 634
Resealing	800	800	0	0	800
New streets (MIG)	0	0	2944	2944	30 700
New Streets (EPWP) Str.11	1 000	1 000	710	(290)	1 000

Table 99.: *Capital Expenditure 2012/13: Roads*

3.4.2 Waste water (Stormwater drainage)

a) Highlights: Waste Water (Stormwater Drainage)

Highlights	Description
New main storm water infrastructure	Adequate storm water infrastructure: Open lined channels, box culverts, pipe culverts and unlined channels.

Table 100.: *Waste Water (Stormwater drainage) Highlights*

b) Challenges: Waste Water (Stormwater Drainage)

Description	Actions to address
Flooding De Aar central town	Funding from own funds

Table 101.: *Waste Water (Stormwater drainage) Challenges*

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c) Services Delivery Statistics

The table below shows the total kilometers of stormwater 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
2011/12	0	1.05	4.1
2012/13	0.24	3.1	3.0

Table 102.: *Stormwater infrastructure*

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

Financial year	Stormwater Measures		
	New R'000	Upgraded R'000	Maintained R'000
2011/12	0	214	214
2012/13	0	7 755	29

Table 103.: *Cost of construction/maintenance of stormwater systems*

d) Services Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13 to		
					Target	Actual	R
TL80	Upgrade the stormwater system in municipal area	% completion	All	New performance indicator for 2012/13. No comparatives available	100%	90%	O
TL81	Maintain storm water assets	% of maintenance budget of storm water spent	All	95%	95%	8.9%	R
TL82	Develop a business plan and submit to Council for approval of Phase 2 of the storm water project	% completion	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G

Table 104.: *Services Delivery Indicators: Stormwater*

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e) Capital: Waste Water (Stormwater Drainage)

Capital Expenditure 2012/13: Waste Water (Stormwater drainage)					
R'000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Emthanjeni Stormwater	10 178	10 178	7 755	(2 423)	20 139

Table 105.: Capital Expenditure 2012/13: Waste water (Stormwater drainage)

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

3.5.1 Planning

a) Highlights: Planning

Highlights	Description
Sewerage Master plan	Sewerage master plan for Emthanjeni (3 towns) for the current in future needs completed.

Table 106.: Planning Highlights

b) Challenges: Planning

Description	Actions to address
Planning of sites for economical housing.	Planning of economical sites
Establishment of a PMU.	5% of MIG allocation to fund PMU

Table 107.: Planning Challenges

c) Statistics: Planning

Applications for Land Use Development				
Detail	Formalisation of Townships		Rezoning	
	2011/12	2012/13	2011/12	2012/13
Planning application received	1	0	5	9
Determination made in year of receipt	0	0	1	7
Determination made in following year	1	0	4	2
Applications withdrawn	0	0	0	0
Applications closed	1	0	0	0
Applications outstanding at year end	1	0	0	2
Awaiting DEA&DP decision	0	0	0	0

Table 108.: Applications for Land Use Development

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Type of service	2011/12	2012/13
Building plans application processed	77	76
Total surface (m ²)	5 987	6 733
Approximate value	9 993 967	15 008 752
New residential dwellings	0	6
Residential extensions	66	63
New Business buildings	3	4
Business extensions	2	3
Land use applications processed	12	15

Table 109.: *Additional Performance Town Planning and Building Control*

d) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL19	Establish commonage committee by the end of December 2012	% established	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL20	Compile a rural development strategy by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	100%	0%	R
TL53	Approve building plans within 1 month after payment has been received and after receipt of all outstanding information	% approved within 1 month	All	New performance indicator for 2012/13. No comparatives available	95%	96%	G 2
TL92	Implement a vehicle tracking system	Tracking system	All	New performance indicator for 2012/13. No comparatives available	80%	0%	R
TL93	Implement the vehicle policy with monthly inspection of vehicles and submitting of inspection reports	Number of reports	All	New performance indicator for 2012/13. No comparatives available	12	3	R

Table 110.: *Service Delivery Indicators: Planning and Development*

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e) Capital: Planning

Capital Expenditure 2012/13: Planning					
R'000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Sewerage Master Plan	281	281	281	0	218

Table 111.: Capital Expenditure 2012/13: Planning

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
Establishment of PPP committees that substitutes the Forum	Stimulus, Unique, Integration and Innovation Committees
Mentorship Programme	Mentor appointed for a period of 12 months
Invite investors	Continue to lure investments

Table 112.: LED Highlights

b) Challenges: LED

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

Description	Actions to address challenges
High unemployment rate and poverty	Implementation of ward base infrastructure projects and other job creation initiatives
Housing needs	Implementation of Turn key projects
Limited Municipal resources	Effective Budgeting and Financial planning
Replacing of ageing infrastructure	Submit applications to potential funders

Table 113.: Challenges LED

c) LED Strategy

The LED strategy identifies various issues and strategic areas for intervention such as:

Strategic areas	Description
The unlocking the potential of Emthanjeni to achieve growth & development	Utilization of local expertise e.g. business people and technocrats to assist in broadening the economic base
Creating an environmental in which the overall economic and social conditions of the Emthanjeni	The implementation and facilitation of an Integrated LED & Marketing Strategy

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Strategic areas	Description
Municipality can be conducive to growth and development	
Installation of the job creation & job preservation desk	Preservation of all jobs in Emthanjeni. Keeping of employment / retrenchment information(data) on all employers and potential employers
Internalize the economy of Emthanjeni	Increasing the trading density of Emthanjeni. Make the economy of Emthanjeni more intimate –more potential

Table 114.: **LED Strategic areas**

KPA & Indicator	Municipal Achievement	Municipal Achievement
	2011/12	2012/13
The number of jobs created through municipality's local economic development initiatives including capital projects	169	191

d) Job Creation: EPWP

Job creation through EPWP projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2011/12	10	206
2012/13	10	191

Table 115.: **Job creation through EPWP* projects**

e) Tourism

We recognize the vital role that tourism plays in growing the economy and creating decent jobs. So far the Municipality is contributing massively, out of the 66% of the Northern Cape Visitor Survey, Emthanjeni is contributing 33,8% which means that we are doing a good job of keeping our tourists happy. Keeping in mind that tourism within the District is still developing.

We believe that tourism in this Municipality will go from strength to strength, continuing to provide visitors a unique, pleasant and unforgettable experience.

As a Municipality we are delighted with the attention and priority given to the need for effective partnerships between the Municipality and tourism stakeholders, as well as sphere and sector departments to support Tourism and Development.

The Council has taken a decision to reposition the Municipality as the Karroo Destination of Choice through developing and implementation of a ten-year tourism strategy. The implementation of this strategy is intended to contribute to the improvement of local economic conditions thus better the lives of the communities within the borders of the Municipality.

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i) Marketing Plan for Emthanjeni Tourism and Events

The Municipality has designed a well-researched marketing and promoting strategy that will intensify the role of marketing Emthanjeni Municipality in all levels of Development such as to:

- Market and promote the Municipality;
- Events and programs; and
- Assist with council meets the people programs as a mobilizing tool.

ii) 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.

Emthanjeni Municipality was promoted as The Karoo Destination of Choice. There was a lot of interest due to the Solar Energy Projects that tourists are interested in visit the Karoo and enjoying the Karoo experience.

iii) Challenges: Tourism

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

Description	Actions to address challenges
Limited Municipal resources	Effective Budgeting and Financial planning
Absence of proper tourism value chain coordination	Meeting with stakeholders
Inadequate tourism infrastructure	Restore all buildings that have tourism value
Human Resource capacity to drive tourism development	Employ support staff within the Unit
Replacing of ageing infrastructure	Submit applications to potential funders

Table 116.: **Challenges Tourism**

iv) Tourism Strategy

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. In addition to stakeholder inputs, there was site visitation undertaken of all the tourist attractions in the Municipality and photographic evidence of their current state included.

However, there needs to be significant effort put in developing Emthanjeni into a thriving tourist destination including:

- Focused Tourism Development;

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- 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; and
- Tourism Infrastructure Development.

v) Accommodation Established

The hospitality sector is growing massively within the Municipality, the following reasons make it more easily to establish an Accommodation Association that will be managed and operated by stakeholders with the following objections:

- 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; and
- To develop strategies for Social Responsibility, Service Excellence, "Greening", SMME Development (skills development, entrepreneurship creation and employment opportunities).

An assessment has been conducted to all guest houses and approval has been granted for operational as a guest house.

The grading has increased the requirements of accommodation establishments when assessed, the old system had 43 focus areas to the total score of 460, now the new system has 63 focus areas with a total score of 1000 points, this is to increase service excellence within South Africa. As part of the new system establishments must have one room that is accessible to people with disabilities that is a UA grading system.

f) LED Initiatives

The table below identifies the detail of the various LED initiatives in the municipal area:

Description of project	No of man-days created	Total Investment R'000	Amount spent R'000	Amount spent per day R
Building of Bee-hives-Hanover	60	150	150	2500
Street vendors e.g. braai, stalls etc.	7	0	0	0
Car Washes	5	40	40	100
Total	72	190	190	2 600

Table 117.: *Jobs Created during 2012/13 by LED Initiatives (Excluding EPWP projects)*

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g) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/2013		
					Target	Actual	R
TL10	Implement initiatives within the LED strategy by the end of June 2013	Number of initiatives implemented	All	0	2	2	G
TL11	Assist entrepreneurs to become co-operatives	Number of entrepreneurs	All	New performance indicator for 2012/13. No comparatives available	2	1	R
TL12	Supply chain workshops held for SMME's	Number of workshops	All	New performance indicator for 2012/13. No comparatives available	2	0	R
TL13	Improved skills development for local economic development	Number of workshops organised	All	New performance indicator for 2012/13. No comparatives available	2	0	R
TL14	Submit a business plan for Tourism by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	100%	0%	R
TL15	Decrease substance abuse and crime through public awareness campaigns regarding substance abuse and crime	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL16	Implement gender development programmes	Number of programs	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL17	Commemoration of Youth Day	Youth day	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL18	Implement youth development programs	Number of programs	All	New performance indicator for 2012/13. No comparatives available	3	3	G
TL51	Jobs opportunities created through EPWP initiatives including capital projects	Number of opportunities	All	New performance indicator for 2012/13. No comparatives available	140	191	G 2
TL52	Implement ward projects	Number of projects	All	New performance indicator for 2012/13.	7	7	G

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				No comparatives available			
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Table 118.: *Service delivery indicators: Local Economic Development*

h) Employees: LED

Employees: Local Economic Development				
Job Level	2012/13			
	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	3	1	2	67
10 - 12	7	6	1	14
13 - 15	1	0	1	100
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	11	7	4	36

Table 119.: *Employees: Local Economic Development*

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 Libraries

a) Challenges: Libraries

Description	Actions to address
Stolen books	Security is required to assist in this regard
Lost and late returns of books	Cost recovery measures are put in place
Transport to fare users to various libraries projects	Hire taxis to fare users to library activities
Damaged books	Cost recovery and replacement of damaged books
Burglary in the Libraries	Assignment of a security guard is required

Table 120.: *Libraries Challenges*

b) Service statistics for Libraries

Type of service	2011/12	2012/13
Number of Libraries	5	5
Library members	13 592	15 865

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Type of service	2011/12	2012/13
Books circulated	27 810	29 896
Exhibitions held	119	214
Internet users	319	576
New library service points or Wheelie Wagons	0	0
Children programmes	44	52
Visits by school groups	88	192
Book group meetings for adults	29	42

Table 121.: *Service statistics for Libraries*

c) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/2013		
					Target	Actual	R
TL21	Library awareness programmes through exhibitions	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	10	10	G

Table 122.: *Service Delivery Indicators: Libraries*

d) Employees: Library Services

Employees: Libraries				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	6	6	0	0
4 - 6	5	5	0	0
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	16	0	0

Table 123.: *Employees: Libraries*

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3.6.2 Sport and recreation

a) Employees: Parks and Cemeteries

Employees: Parks and Cemeteries				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	31	19	12	39
4 - 6	0	0	0	0
7 - 9	1	1	0	0
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	32	20	12	38

Table 124.: *Employees: Parks and Cemeteries*

b) Employees: Sport and Recreation

Employees: Sport and Recreation				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	13	8	5	38
4 - 6	0	0	0	0
7 - 9	1	1	0	0
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	9	5	36

Table 125.: *Sport and Recreation*

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3.7 COMPONENT E: SECURITY AND SAFETY

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

3.7.1 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.

3.7.2 Law Enforcement

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

a) Highlights: Law Enforcement

Highlights	Description
Reduction in illegal dumping	Since the unit was established we had a significant reduction of illegal refuse dumping in our towns.

Table 126.: *Law Enforcement Highlights*

b) Challenges: Law Enforcement

Description	Actions to address
Stray animals is still a big challenge for this section due to the fact that no pound facilities is	Investigate options to establish a pound
The illegal dumping of refuse is still a problem in certain areas of the respective towns within the municipal area	Awareness campaigns regarding illegal dumping of refuse and the risks involved.

Table 127.: *Law Enforcement Challenges*

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c) Services Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for Sep 2012 to Jun 2013		
					Target	Actual	R
TL22	Optimal collection of traffic fines issued for the financial year	% of fines collected	All	New performance indicator for 2012/13. No comparatives available	65%	60%	O
TL23	Law Enforcement initiative to decrease incidents affecting traffic safety	# of road blocks	All	New performance indicator for 2012/13. No comparatives available	24	18	O
TL24	Participate in annual National Arrive Alive Programme	Number of joint operations	All	New performance indicator for 2012/13. No comparatives available	2	1	R
TL25	Speed law enforcement (direct prosecution)	# of enforcement sessions	All	New performance indicator for 2012/13. No comparatives available	48	60	G2
TL26	Implement AARTO	Number of MOU's signed	All	New performance indicator for 2012/13. No comparatives available	2	0	R
TL27	Road safety awareness campaigns held in all wards	Number of campaigns	All	New performance indicator for 2012/13. No comparatives available	7	0	R
TL28	Increase capacity of traffic services to optimize revenue collection	Number of staff appointed	All	New performance indicator for 2012/13. No comparatives available	2	2	G
TL29	Annually review and submit the Disaster Management Plan for assessment by the District by the end of March 2013	% completed	All	100%	100%	100%	G
TL30	Inspect and assess infrastructure and role players to ensure disaster operational readiness and	Number of reports	All	New performance indicator for 2012/13. No comparatives available	1	0	R

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for Sep 2012 to Jun 2013		
					Target	Actual	R
	submit assessment report						
TL31	Compile a contingency plan for Head Office and Infrastructure offices in Voortrekkerstreet by the end of June 2013	Number of plans	All	New performance indicator for 2012/13. No comparatives available	2	0	R
TL32	Reaction time to emergencies ito fire brigade services act (< 16 minutes) average response time	% Within 16 minutes	All	New performance indicator for 2012/13. No comparatives available	100%	89.58%	O

Table 128.: **Services Delivery Indicators: Safety and Security**

d) Service statistics for Law Enforcement

Details	2011/12	2012/13
Number of by-law infringements attended	Unspecified	34
Number of officers in the field on an average day	3	3
Number of officers on duty on an average day	3	3

Table 129.: **Law Enforcement Data**

e) Employees: Law Enforcement

Employees: Law Enforcement				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	5	3	2	40
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0

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Employees: Law Enforcement				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
19 - 20	0	0	0	0
Total	5	3	2	40

Table 130.: *Employees: Law Enforcement*

f) Capital: Law Enforcement

There was no capital projects during 2012/13.

3.7.3 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 safe roads. Speed measurements are important due to the fact that 90% of all accidents are caused by speeding. Second serious offence is driving under the influence of liquor and estimated that 60% of all serious accidents can be contributed to drunk driving. The fact that the dragger breath alcohol testing is not accepted evidence in South African courts makes it more difficult to prosecute offenders. Scholar patrols is established to assist learners to cross roads to schools 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

Highlights	Description
Two new patrol vehicles	The department received two new patrol vehicles and this will ensure that the department can deliver a better service to our communities at large.

Table 131.: *Traffic Services Highlights*

c) Challenges: Traffic Services

Challenges	Actions to overcome
An increase in traffic volumes and accidents	Having more roadblocks in the affected areas and more road safety campaigns.

Table 132.: *Traffic Services Challenges*

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d) Additional Performance Service statistics for Traffic Services

Details	2011/12	2012/13
Number of road traffic accidents during the year	296	322
Number of by-law infringements attended	227	221
Number of Traffic officers in the field on an average day	6	6
Number of Traffic officers on duty on an average day	10	10
Animals impounded	0	0
Motor vehicle licenses processed	15 304	17315
Learner driver licenses processed	6123	6502
R-value of fines collected	R6 006 180	R 4 273 300
Roadblocks held	30	49
Complaints attended to by Traffic Officers	110	260

Table 133.: *Additional performance Service Statistics for Traffic Services*

e) Employees: Traffic Services

Employees: Traffic Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0
4 - 6	3	3	0	0
7 - 9	10	10	0	0
10 - 12	3	2	1	33
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	21	20	1	5

Table 134.: *Employees: Traffic Services*

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f) Capital: Traffic

Capital Expenditure 2012/13: Traffic Services					
R'000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Vehicles	240	0	240	0	240

Table 135.: Capital Expenditure 2012/13: Traffic Services

3.7.4 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) Service statistics for Fire Services

Details	2011/12	2012/13
Total fires attended in the year	64	19
Total of other incidents attended in the year	0	1
Average turnout time - urban areas	15 min	15 min
Average turnout time - rural areas	30 + min	30 + min
Total Operational call-outs	0	1
Reservists and volunteers trained	20	20
Awareness Initiatives on Fire Safety	0	0

Table 136.: Fire Service Data

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c) Capital: Fire Services

There were no capital projects for the 2012/13 financial year.

3.8 COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.8.1 Executive and Council

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

a) Highlights: Executive and Council

Highlights	Description
Hosting of NCOP	For the first time ever, council hosted NCOP setting
Stipend for ward committees	As May 2013 ward committee members received R500 each month stipend
Hosting of Mayoral cup in Hanover	The Mayor cup is growing faster
Launching of renewable energy programs	Over three thousand people has been employed on Solar energy programs
Visit by Chinese delegation for economic development	Council met with Chinese delegation for LED
Establishment of Ward Youth Forums	All seven wards has established Youth forums to represent the needs of young people
Involvement of councillors on SALGA programs	Two councillors has been elected to lead provincial SALGA working groups

Table 137.: *Executive and Council Highlights*

b) Challenges: Executive and Council

Description	Actions to address
Non-involvement of business community on IDP processes	Separate meeting to be held with the business community
Poor attendance of CMTP by the community	Mobilisation team to increase and different methods of mobilisation to used

Table 138.: *Executive and Council Challenges*

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c) Service Delivery Indicators

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL94	Risk based audit plan approved annually by June 2013	Plan approved	All	100%	100%	100%	G
TL95	Implement the RBAP	% implemented	All	New performance indicator for 2012/13. No comparatives available	70%	70%	G
TL96	Compile a service delivery and budget implementation plan in line municipal functions and approved budget by end June 2013	% completed	All	100%	100%	100%	G
TL97	Monitor municipal performance with regard to service delivery and submit performance reports to Council	No of performance reports evaluated annually	All	New performance indicator for 2012/13. No comparatives available	4	4	G
TL101	Implement public education campaigns on municipal services and natural resources	Number of education campaigns implemented	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL102	Luring of investors into the municipal area	Number of initiatives	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL103	Implement the Public Participation Policy	Number of initiatives implemented	All	New performance indicator for 2012/13. No comparatives available	1	1	G

Table 139.: *Service delivery indicators: Executive and Council*

3.8.2 Corporate Services

a) Employees Corporate Services

Employees: Corporate Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	12	12	0	0

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Employees: Corporate Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
4 - 6	11	8	3	27
7 - 9	2	0	2	100
10 - 12	5	4	1	20
13 - 15	2	2	1	50
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	33	27	7	21

Table 140.: *Employees: Corporate Services*

b) Service delivery indicators: Corporate Services

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL1	Percentage of the total municipal budget spent on skills development	% of the total municipal budget spent	All	New performance indicator for 2012/13. No comparatives available	0.70%	0.90%	G 2
TL2	Percentage vacancy level as % of approved organogram (National norm between 10-15%)	% Vacancy level as % of approved organogram	All	New performance indicator for 2012/13. No comparatives available	15%	13.50%	B
TL3	Compile a comprehensive Human Resource Plan by the end of June 2014	% completed	All	New performance indicator for 2012/13. No comparatives available	50%	50%	G
TL4	Complete an abscondment and absenteeism policies	Number of policies	All	New performance indicator for 2012/13. No comparatives available	1	1	G
TL5	Establish a client service desk	% completed	All	New performance indicator for 2012/13. No comparatives available	50%	50%	G

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL6	Review existing adopted by-laws	Number of by-laws	All	New performance indicator for 2012/13. No comparatives available	3	0	R
TL7	Implement a system to monitor Council resolutions by the end of June 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	1%	5%	B
TL8	Implement the branding strategy of Emthanjeni by completing phase 4 and 5 by the end of June 2013	Number of phases	All	New performance indicator for 2012/13. No comparatives available	2	2	G
TL9	Compile a maintenance needs analysis for all municipal buildings and offices (libraries, halls, youth advisory centres offices, traffic department) by the end of June 2013	Number of analysis completed	All	New performance indicator for 2012/13. No comparatives available	5	0	R

3.8.2 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.

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b) Highlights: Financial Services

Highlights	Description
Timeous submission of AFS	It is customary to submit Annual Financial Statements on or before the 31 August each year.
Improvement of Audit Qualifications and PMS	Emthanjeni obtained a Qualified Audit opinion at 30 June 2012, but the audit qualifications reduced substantially in relation to 30 June 2011

Table 141.: *Financial Services Highlights*

c) Challenges: Financial Services

Description	Actions to address
Implementation of GRAP Standards	Staff need to be exposed to these GRAP Standards in order to understand how to fully implement these standards
Inability to adhere to all MFMA Circulars	More discussion with National and Provincial Treasury will be undertaken to determine a way forward to implement and adhere to these MFMA Circulars

Table 142.: *Financial Services Challenges*

d) Service Delivery Indicators: Financial Services

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
TL33	Improve the Audit Opinion from qualified to unqualified by end of 2012/13	% of target reached	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL34	Submit annual financial statements by end August 2012	% of target reached	All	100%	100%	100%	G
TL35	Reporting monthly to Council on financial position in terms of sec71 of the MFMA	Number of reports	All	New performance indicator for 2012/13. No comparatives available	12	13	G 2
TL36	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	0.94	1.1	1.09	O
TL37	Financial viability measured in terms of the municipality's	Debt coverage ((Total operating revenue-	All	5.6	2	4.15	B

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
	ability to meet it's service debt obligations	operating grants received)/debt service payments due within the year)					
TL38	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	83%	67%	57%	O
TL39	Provide 6kl of free basic water in terms of the equitable share requirements to indigent households	Number of HH receiving free basic water	All	2540	7,500	7,500	G
TL40	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Number of HH receiving free basic sanitation	All	2540	2,600	2,479.33	O
TL41	Provide free basic sanitation in terms of the equitable share requirements to indigent households	Quantum of free basic sanitation provided per he	All	127.72	R 135.38	R 135.38	G
TL42	Provide 50 kWh of free basic electricity in terms of the equitable share requirements to indigent households	Number of HH receiving free basic electricity	All	2540	2,600	2,479.33	O
TL43	Provision of free basic refuse removal in terms of the equitable share requirements to	Number of HH receiving free basic refuse removal	All	2540	2,600	2,474.83	O

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Ref	KPI	Unit of Measure-ment	Wards	Previous Year Performance	Overall Performance for 2012/13		
					Target	Actual	R
	indigent households						
TL44	Provision of free basic refuse removal in terms of the equitable share requirements to indigent households	Quantum of free basic refuse removal per month per household	All	79.64	R 84.41	R 84.41	G
TL45	Compile a Revenue Enhancement Strategy and submit to Council by end March 2013	% Completion	All	New performance indicator for 2012/13. No comparatives available	100%	0%	R
TL46	Implement the revenue enhancement strategy	Number of initiatives into strategy implemented	All	New performance indicator for 2012/13. No comparatives available	1	0.5	R
TL47	Achieve a payment percentage of above 80%	Payment %	All	83%	80%	106.22%	G 2
TL48	Complete a General Valuation Roll by end June 2013	% Completed	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL49	Review the SCM policy in line with legal requirements by end March 2013	% completed	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G
TL50	Prepare and submit to Council a main budget by end March 2013 and an adjustments budget by end February 2013	Approved main & adjustments budgets	All	New performance indicator for 2012/13. No comparatives available	100%	100%	G

Table 143.: **Service delivery indicators: Financial Services**

e) Employees: Financial Services

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Employees: Financial Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0
4 - 6	23	21	2	9
7 - 9	6	4	2	33
10 - 12	5	2	3	60
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	1	1	0	0
Total	40	33	7	18

Table 144.: *Employees: Financial services*

3.8.3 Human Resource Services

a) Introduction to Human Resource Services

The Emthanjeni Municipality currently employs 403 (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

Highlights	Description
Employee Assistance Programme (EAP)	Implementation of the employee support programme
GAP Skills programme	Training of electrical employees in Artisanry
Training programmes	Skills development in CPMD, MFMA, LED etc.

Table 145.: *Human Resources Highlights*

c) Challenges: Human Resources

Description	Actions to address
Organisational Design	Review of Organisational Structure and Staff Establishment
HR Strategy development	SALGA undertook to assist municipalities by developing a standard strategy
Attracting Scarce skills	SALGA to assist municipalities by developing a standardized Head Hunting Policy

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Description	Actions to address
Absenteeism	Implement an integrated approach to discipline management taking account of the EAP

Table 146.: *Human Resources Challenges*

Employees: Human Resource Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	1	0	1	100
7 - 9	1	0	1	100
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	3	1	2	67

Table 147.: *Employees: Human Resource services*

3.8.4 Information and Communication Technology (ICT) Services

a) Introduction to Information and Communication Technology (ICT) Services

The service has been outsourced. The outsourced company are attending to all ICT service matters.

b) Highlights: ICT Services

Highlights	Description
All ICT queries must be log on the help desk	Queries are recorded unto the system via email and an automated response will be issued after the complained or query has been registered
ICT issues are attended to within a 48 hours turnaround time	The progress of query can be monitored viewed unto the system

Table 148.: *ICT Service Highlights*

c) Challenges: ICT Services

Description	Actions to address
Establishment of IT Steering Committee	The IT Steering Committee will be established during the 2013/2014 financial year
Approval of IT Policy	The IT Policy will be tabled during the 2013/2014 together with the IT Implementation Strategy
IT Capacity of staff	Staff will undergo various IT training over the next few financial years

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Description	Actions to address
Procurement of diversified IT Equipment	All procurement of IT assets will be done according to the new IT Strategy document, to ensure that uniform IT procurement is standardised.

Table 149.: *ICT Service Challenges*

3.8.5 Procurement Services

a) Highlights: Procurement Services

Highlights	Description
Timeous awarding of Bids	Tenders are awarded with 90 days after closing, with the exception of one tender
Reporting of Deviations and Irregular Expenditure	Extensive reporting of deviations are being done to Provincial Treasury, Council and MPAC

Table 150.: *Procurement Services Highlights*

b) Challenges: Procurement Services

Description	Actions to address
Capacity and Training of SCM Committee Members and Staff	Updated training on the newest regulations will be provided to all SCM Committee Members during 2013/2014 financial year
Non Compliance with SCM Regulations that with Local Content	Extensive discussions on the compliance relating to the Local Content, taking our situation on consideration.
Irregular and Unauthorised expenditure	These expenditure will be reduced by complying and completion with all the MBD documentation before any procurement is undertaken.

Table 151.: *Procurement Services Challenges*

3.9 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2013/14

The main development and service delivery priorities for 2013/14 forms part of the Municipality's top layer SDBIP for 2013/14 and are indicated in the table below:

3.9.1 Development and Service Delivery Priorities for 2013/14

The main development and service delivery priorities for 2013/14 forms part of the Municipality's top layer SDBIP for 2013/14 and are indicated in the tables below:

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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	Wards	Annual Target
TL56	Optimal collection of fines issued for the financial year	% of fines collected	All	70%
TL57	Law Enforcement initiative to decrease incidents affecting traffic safety	# of road blocks	All	12
TL58	Speed law enforcement (direct prosecution)	# of enforcement sessions	All	24
TL59	Road safety awareness campaigns held in all wards	Number of campaigns	All	7
TL60	Increase capacity of traffic services to optimize revenue collection	Number of staff appointed	All	2
TL61	Establish community safety plans in conjunction with the Department of Community Safety and the District to address safety challenges within the communities	Number of plans	All	7
TL62	Annually review and submission of the Disaster Management Plan for assessment by the District	Plan reviewed and submitted	All	1
TL63	Inspect and assess infrastructure and role players to ensure disaster operational readiness and submit assessment report	Number of reports	All	1
TL64	Compile contingency plans for all municipal buildings	Number of plans	All	2

Table 152.: ***Service Delivery Priorities for 2013/14 – 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	Wards	Annual Target
TL53	Establish commonage committee	Committee established	All	1
TL54	Compile a rural development strategy	Strategy approved	All	1
TL55	Awareness programmes through exhibitions	Number of campaigns	All	5

Table 153.: ***Services Delivery Priorities for 2013/14 - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor***

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

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL34	Spent 0.7% of the operational budget on training (Actual total training expenditure divided by total operational budget)	% of the total budget spent	All	0.70%
TL35	% Vacancy level as % of approved organogram (National norm between 10-15%) (Actual funded posts vacant divided by the Total funded posts)	% vacancy	All	14%
TL36	Compilation of a comprehensive Human Resource Plan	Plan approved	All	1
TL37	Completion of the abscondment and absenteeism policies	Number of policies	All	1
TL38	Establish a client service desk	Service desk established	All	1
TL39	Review existing adopted by-laws	Number of by-laws	All	2
TL40	Implement a system to monitor Council resolutions	System implemented	All	1
TL41	Implement phases of the branding strategy of Emthangeni	Number of phases	All	2
TL42	Compile a maintenance needs analysis for all municipal buildings and offices (libraries, halls, youth advisory centres offices, traffic department)	Number of analysis completed	All	2
TL43	100% of the maintenance budget spent to implement prioritised maintenance for municipal buildings and offices as identified in the maintenance needs analysis	% of budget spend	All	100%

Table 154.: **Services Delivery Priorities for 2013/14 - 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	Wards	Annual Target
TL23	Achieve an unqualified audit opinion	Audit opinion received	All	1
TL24	Submit the annual financial statements by the end of August to the Auditor-General	Statements submitted	All	1
TL25	Monthly financial reporting to Council	No of reports	All	12
TL26	Financial viability measured in terms of the available cash to cover fixed operating expenditure (Available cash+ investments)/ Monthly fixed operating expenditure)	Ratio achieved	All	0.7

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Ref	KPI	Unit of Measurement	Wards	Annual Target
TL27	Financial viability measured in terms of the municipality's ability to meet its service debt obligations (Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year))	Target achieved	All	40.6
TL28	Financial viability measured in terms of the outstanding service debtors (Service debtors to revenue – (Total outstanding service debtors/ revenue received for services))	% achieved	All	24.50%
TL29	Implement initiatives of the revenue enhancement strategy	No of initiatives implemented	All	1
TL30	Achievement of a payment percentage of above 80% (Actual payments received from debtors divided by actual levies)	Payment %	All	80
TL31	Complete the Supplementary Valuation Roll by the end of May	Valuation Roll completed	All	1
TL32	Annual review of SCM policy in line with legal requirements by the end of March	Review completed	All	1
TL33	Prepare and submit the adjustments budget by the end of February and the draft main budget by the end of March	Approved main & adjustments budgets	All	2
TL65	Annual workshop with ward committees to explain the indigent application process	Workshop held	All	1

Table 155.: **Services Delivery Priorities for 2013/14 - Maintaining a financially sustainable and viable municipality**

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

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL1	Develop Risk based audit plan and submit to the audit committee for approval by end June	RBAP submitted to the audit committee	All	1
TL2	Implement the RBAP (Audits completed for the period / planned audits for the period)	% completed	All	70%
TL3	Compile the Top Layer service delivery and budget implementation plan and submit to the Mayor within 14 days after the approval of the main budget	Top Layer Service delivery budget implementation plan submitted to the Mayor	All	1
TL4	Submit quarterly performance reports to the SDBIP to the Council	No of performance reports submitted to the Council	All	4
TL5	Implement public education campaigns on municipal services and natural resources	No of education campaigns implemented	All	1

Table 156.: **Services Delivery Priorities for 2013/14 - Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality**

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

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL6	Arrange meetings with possible investors for the municipal area	No meetings	All	1
TL44	Jobs created through municipality's local economic development initiatives including capital projects	Number of jobs created of contracts assigned to SMME's (temporary)	All	550
TL45	Implement initiatives within the LED strategy	Number of initiatives implemented	All	2
TL46	Assist entrepreneurs to become co-operatives	Number of entrepreneurs	All	2
TL47	Supply chain workshops held for SMME's	Number of workshops	All	2
TL48	Implement ward projects	Number of projects	All	7
TL49	Decrease substance abuse and crime through public awareness campaigns regarding substance abuse and crime	Number of campaigns	All	1
TL50	Implement gender development programmes	Number of programs	All	1
TL51	Commemoration of Youth Day	Youth day	All	1
TL52	Implement youth development programs	Number of programs	All	3

Table 157.: ***Service Delivery Priorities for 2013/14 - 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 available resources*

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL7	Provide consideration (decisions) on building plans applications within 30 days for buildings less than 1000m2 and 60 days for buildings larger than 1000m2 after receipt of payment (Actual applications considered/actual applications received)	% building plans evaluated within the required time frames	All	100%
TL8	Implement the De Aar and Hanover housing project	Number of sites serviced	All	250
TL9	Implementation of the WCWDM project funded by DWA	% of approved project budget spent	All	100%
TL10	Spent the approved maintenance budget for water assets	% of approved maintenance budget for water spent	All	90%
TL11	Develop new boreholes for De Aar	% of approved project budget spent	1; 2; 3; 4; 5	100%
TL12	Limit % water unaccounted for	% unaccounted for	All	19.50%

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Ref	KPI	Unit of Measurement	Wards	Annual Target
TL13	Water quality as per blue drop	% water quality level	All	80%
TL14	Upgrade the De Aar WWTW	% of approved project budget spent	1; 2; 3; 4; 5	100%
TL15	Submit business plan to Council by end June for bulk sewerage infrastructure to upgrade UDS sanitation system to full waterborne in Britstown	Business plan submitted to Council by end June	7	1
TL16	Spent the approved maintenance budget for sanitation assets	% of approved maintenance budget for sanitation spent	All	90%
TL17	Construct new tar roads	No of kilometers constructed	All	2
TL18	Spent the approved maintenance budget for roads and storm water	% of approved maintenance budget for roads and stormwater spent	All	90%
TL19	Reseal existing tar roads	No of kilometers resealed	All	1
TL20	Compile and submit business plan to MIG by end June for the project approval for the application of permits for Britstown and Hanover Landfill sites	Business plan submitted to MIG by end June	6; 7	1
TL21	Limit % electricity unaccounted for	% unaccounted for	All	22%
TL22	Spent the approved maintenance budget for parks, recreational facilities and swimming pools	% of approved maintenance budget for parks, recreational facilities and swimming pools spent	All	90%

Table 158.: ***Service Delivery Priorities for 2013/14 - Provision of access to all basic services rendered to residents within available resources***

Chapter 4: Organisational Development Performance

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 Organisational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2011/12	2012/13
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.83	0.80

Table 159.: *National KPIs– Municipal Transformation and Organisational Development*

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs 346 (excluding 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"

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a) Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
50%	50%	40%	40%	0%	0%	10%	0%

Table 160.: 2012/13 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%	50%	50%	45%	45%	45%	5%	5%	0%

Table 161.: 2012/13 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	63	0.06	10	99.06
Number for positions filled	131	203	0	12	346
% for Positions filled	37.9	58.7	0	3.5	100.1

Table 162.: EE population 2012/13

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	2	0	1	1	0	0	0	4
Senior management	5	0	0	0	0	0	0	0	5
Professionally qualified and experienced specialists and mid-management	6	0	0	1	6	5	0	3	21
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	18	50	0	6	3	20	0	0	97
Semi-skilled and discretionary decision making	80	114	0	0	12	12	0	0	218
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0

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Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
Total permanent	109	166	0	9	22	37	0	3	346
Non- permanent employees	4	6	0	0	2	0	0	0	12
Grand total	113	172	0	9	24	37	0	3	358

Table 163.: *Occupational Categories*

4.2.2 Vacancy Rate

The approved organogram for the municipality had 378 posts for the 2012/13 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 103 Posts were vacant at the end of 2012/13, resulting in a vacancy rate of 27%.

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

Per Post Level		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	0
Middle management (T14-T19)	7	1
Admin Officers (T4-T13)	137	47
General Workers (T3)	230	50
Total	378	98
Per Functional Level		
Functional area	Filled	Vacant
Municipal Manager	1	0
Corporate, Community and Development	2	0
Financial Services	1	1
Infrastructure and Housing Services	1	1
Total	5	2

Table 164.: *Vacancy rate per post and functional level*

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

Salary Level	Number of current critical vacancies	Total posts as per organogram
Municipal Manager	0	1
Chief Financial Officer	0	1

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Salary Level	Number of current critical vacancies	Total posts as per organogram
Other Section 57 Managers	2	2
Senior management (T14-T19)	1	1
Highly skilled supervision (T4-T13)	18	18
Total	21	23

Table 165.: *Vacancy rate per salary 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 decrease from **8.8%** in 2011/12 to **8.4%** in 2012/13.

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
2011/12	364	32	32	8.8%
2012/13	358	30	10	8.4%

Table 166.: *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 shows a decrease for the 2011/12 financial year from 13 employees injured against 3 employees in the 2012/13 financial year.

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

Directorates	2011/12	2012/13
Municipal Manager	0	0
Corporate, Community and Development	3	0
Financial Services	2	0
Infrastructure and Housing Services	8	3
Total	13	3

Table 167.: *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 2012/13 financial year shows an increase when comparing it with the 2011/12 financial year.

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

Department	2011/12	2012/13
Municipal Manager	5	9
Corporate, Community and Development	507	2 176
Financial Services	562	226
Infrastructure and Housing Services	1 814	623
Total	2 888	3 034

Table 168.: *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:

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Approved policies	
Name of policy	Date approved/ revised
Employment Policy	31/8/2007
Sexual harassment	31/8/2007
Subsistence and Travelling	26/2/2010
Language	9/8/2008
Cell Phone	21/1/2012
Induction Training and Staff Orientation	14/3/2011
Internal control: Salaries and grants	6/1/2006
Study	25/09/2012
HIV/AIDS	31/11/2012
Recruitment and Selection	31/8/2007
Incapacity / Ill-Health	24/5/2004
Substance Abuse	15/12/2010
Smoking Policy	31/12/2012
Overtime	5/6/2005
Uniform Protective Clothing	27/9/2007
Smoking policy	31/11/2012
Bursary policy (Study Aid Policy)	31/11/2012
Essential users scheme policy	31/11/2012
Scarce Skills	31/11/2012
Skill Retention Policy	31/11/2012

Table 169.: *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).

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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 (2012/13)
MM and S57	Female	1	1
	Male	2	2
Legislators, senior officials and managers	Female	4	4
	Male	10	10
Associate professionals and Technicians	Female	3	2
	Male	2	2
Professionals	Female	1	1
	Male	2	0
Clerks	Female	6	2
	Male	1	1
Service and sales workers	Female	0	3
	Male	10	3
Craft and related trade workers	Female	00	0
	Male	3	3
Plant and machine operators and assemblers	Female	0	0
	Male	7	6
Elementary occupations	Female	34	0
	Male	70	0
Sub total	Female	49	13
	Male	107	27
Total		156	40

Table 170.: *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.

Chapter 4: Organisational Development Performance

Occupational categories	Gender	Training provided within the reporting period(2012/13)						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Achieved
MM and S57	Female	0	0	1	1	1	1	100
	Male	0	0	2	2	2	2	100
Legislators, senior officials and managers	Female	0	0	4	4	4	4	100
	Male	0	0	10	10	10	10	100
Professionals	Female	0	0	3	3	3	3	100
	Male	0	0	2	2	2	2	100
Technicians and associate professionals	Female	0	0	0	0	0	0	100
	Male	1	1	0	0	1	1	100
Clerks	Female	1	1	2	2	3	3	100
	Male	0	0	1	1	1	1	100
Service and sales workers	Female	0	0	0	0	0	0	100
	Male	0	0	9	9	9	9	100
Craft and related trade workers	Female	0	0	0	0	0	0	100
	Male	8	8	0	0	8	8	100
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	100
	Male	1	1	3	3	4	4	100
Elementary occupations	Female	0	0	0	0	0	0	100
	Male	0	0	0	0	0	0	100
Sub total	Female	1	1	10	10	11	11	100
	Male	10	10	27	27	37	37	100
Total		11	11	37	37	48	48	100

Table 171.: *Skills Development*

4.4.3 Skills Development - Budget allocation

The table below indicates that a total amount of **R 330 676.00** were allocated to the workplace skills plan and that **78%** of the total amount was spent in the 2012/13 financial year:

Total Allocated	Total Spend	% Spent
R 330 676.00	R 258 000.00	78

Table 172.: *Budget allocated and spent for skills development*

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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
Senior managers	5	5	5	5
Any other financial officials	1	1	1	1
Supply Chain Management Officials				
Heads of supply chain management units	1	1	1	1
Supply chain management senior managers	1	1	1	1

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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))
TOTAL	10	10	10	10

Table 173.: *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	
2011/12	49 096	205 896	23.85 %
2012/13	60 133	218 201	27.35 %

Table 174.: *Personnel Expenditure*

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

Financial year	2011/12	2012/13		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R	R	R	R
<u>Councillors (Political Office Bearers plus Other)</u>				
Salary	2 177	2 475	2 475	2 357
Pension Contributions	278	825	825	298

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Financial year	2011/12	2012/13		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R	R	R	R
Medical Aid Contributions	0	183	183	7
Motor vehicle allowance	726			818
Cell phone allowance	238	21	21	214
Housing allowance	0	0	0	0
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	3 420	3 503	3 503	3 694
% increase/ (decrease)	n/a	2.43	0.00	5.45
Senior Managers of the Municipality				
Salary	2465	2707	2707	3453
Pension Contributions	330	441	441	397
Medical Aid Contributions	32	90	90	41
Motor vehicle allowance	501	728	728	435
Cell phone allowance	0	0	0	41
Housing allowance	0	0	0	435
Performance Bonus	0	0	0	77
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	3 327	4 541	4 541	4 402
% increase/ (decrease)	n/a	36.49	0.00	-3.06
Other Municipal Staff				
Basic Salaries and Wages	43 210	37 355	37 355	38 407
Pension Contributions	5 211	6750	6750	5697
Medical Aid Contributions	1 713	2605	2605	1850
Motor vehicle allowance	1111	419	419	854
Cell phone allowance	0	0	0	229
Housing allowance	109	892	892	131
Overtime	767	0	0	
Other benefits or allowances	375	872	872	4870
Sub Total	52 105	48 893	48 893	52 038
% increase	n/a	-6.16	0.00	6.43

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Financial year	2011/12	2012/13		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R	R	R	R
Total Municipality	58 852	56 937	56 937	60 133
% increase/ (decrease)	n/a	-3.25	0.00	5.61

Table 175.: *Personnel Expenditure*

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Chapter 5: Financial Performance

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2012/13 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 2012/13 financial year:

Financial Summary						
R'000						
Description	2011/12	2012/13		2012/13 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	14 337	18 397	17 888	17 220	-6.83	-3.88
Service charges	75 919	79 982	75 156	80 205	0.28	6.30
Investment revenue	585	734	945	1 595	53.97	40.75
Transfers recognised - operational	34 793	39 306	39 306	43 444	9.53	9.53
Other own revenue	24 397	27 238	25 185	13 940	-95.40	-80.67
Total Revenue (excluding capital transfers and contributions)	150 032	165 657	158 480	156 404	-5.92	-1.33
Employee costs	45 675	53 434	53 434	56 440	5.33	5.33
Remuneration of councilors	3 421	3 503	3 503	3 694	5.16	5.16
Depreciation & asset impairment	85 639	16 141	14 917	75 798	78.71	80.32
Finance charges	1 284	1 121	1 121	1 041	-7.68	-7.68
Materials and bulk purchases	42 025	49 159	52 417	50 810	3.25	-3.16
Transfers and grants	788	12 630	10 712	305	-4042.66	-3413.69
Other expenditure	27 063	31 591	29 238	30 113	-4.91	2.91

Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2011/12	2012/13		2012/13 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Total Expenditure	205 897	167 580	165 343	218 201	23.20	24.22
Surplus/(Deficit)	(55 865)	(1 922)	(6 863)	(61 797)	96.89	88.89
Transfers recognised - capital	9 094	16 141	16 141	11 451	-40.95	-40.95
Contributions recognised - capital & contributed assets	0	0	0	0	0	0
Surplus/(Deficit) after capital transfers & contributions	(46 771)	14 219	9 278	(50 345)	128.24	118.43
<u>Capital expenditure & funds sources</u>						
Capital expenditure						
Transfers recognised - capital	14 012	16 141	16 141	11 451	-40.95	-40.95
Public contributions & donations	0	0	0	0	0	0
Borrowing	0	0	0	0	0	0
Internally generated funds	5 259	7 979	7 273	2 252	-254.34	-222.97
Total sources of capital funds	19 271	24 120	23 414	13 703	-76.02	-70.87
<u>Financial position</u>						
Total current assets	131 154	72 981	72 981	141 135	48.29	48.29
Total non current assets	1 030 475	828 660	828 660	976 913	15.18	15.18
Total current liabilities	36 640	16 070	16 070	38 421	58.17	58.17
Total non current liabilities	38 714	41 686	41 686	43 699	4.61	4.61
Community wealth/Equity	1 086 275	843 885	843 885	1 035 929	18.54	18.54
<u>Cash flows</u>						
Net cash from (used) operating	25 306	30 750	30 750	17 437	-76.35	-76.35
Net cash from (used) investing	(19 171)	(23 998)	(23 998)	(13 688)	-75.32	-75.32

Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2011/12	2012/13		2012/13 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Net cash from (used) financing	(2 050)	(2 245)	(2 245)	(2 275)	1.30	1.30
Cash/cash equivalents at the year end	4 085	4 507	4 507	1 475	-205.63	-205.63
Cash backing/surplus reconciliation						
Cash and investments available	14 347	12 460	12 460	17 026	26.82	26.82
Application of cash and investments	0	0	0	0	0	0
Balance - surplus (shortfall)	14 347	12 460	12 460	17 026	26.82	26.82
Asset management						
Asset register summary (WDV)	2 135 240	828 474	828 474	2 136 677	61.23	61.23
Depreciation & asset impairment	1 131 012	7 924	7 924	1 199 207	99.34	99.34
Renewal of Existing Assets	21 952	24 120	23 415	33 792	28.62	30.71
Repairs and Maintenance	7 920	11 017	10 917	12 028	8.41	9.24
Free services						
Cost of Free Basic Services provided	10 472	11 968	11 968	8 436	-41.86	-41.86
Revenue cost of free services provided	10 472	17 481	17 481	9 617	-81.77	-81.77
Households below minimum service level						
Water:	0	0	0	0	0	0
Sanitation/sewerage:	0	0	0	0	0	0
Energy:	0	0	0	0	0	0
Refuse:	0	0	0	0	0	0

Table 176.: **Financial Performance 2012/13**

Chapter 5: Financial Performance

The table below shows a summary of performance against budgets:

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000	R'000	R'000		R'000	R'000	R'000	
2011/12	146 017	150 031	4 014	2.75	144 201	205 896	61 695	42.78
2012/13	158 481	167 855	9 374	5.91	165 343	218 200	(52 857)	-31.97

Table 177.: *Performance against budgets*

The following graph indicates the various types of revenue items in the municipal budget for 2012/13



Graph 12.: *Revenue*

The following graph indicates the various types of expenditure items in the municipal budget for 2012/13



Graph 13.: *Operating expenditure*

Chapter 5: Financial Performance

5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2011/12	2012/13			2012/13 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Vote1 - Executive and Council	5 233	2 705	2 799	3 487	22.42	19.73
Vote2 - Budget and Treasury Office	30 475	36 050	35 752	35 731	-0.89	-0.06
Vote3 - Corporate Services	0	0	0	0	0	0
Vote4 - Planning and Development	4 034	18 483	18 483	746	-2378.32	-2378.32
Vote5 - Public Safety	7 165	7 354	7 354	8 490	13.38	13.38
Vote6 - Health	0	1 001	1 001	0	0	0
Vote7 - Community and Social Services	1 456	1 113	1 232	1 394	20.18	11.65
Vote8 - Sports and Recreation	412	86	86	355	75.78	75.78
Vote9 - Housing	244	19	19	1 220	98.44	98.44
Vote10 - Waste Management	4 947	11 754	11 754	22 886	48.64	48.64
Vote11 - Road Transport	619	658	658	3 628	81.86	81.86
Vote12 - Waste Water Management	19 780	19 380	19 380	5 323	-264.08	-264.08
Vote13 - Water	19 004	20 021	20 021	29 105	31.21	31.21
Vote14 - Electricity	56 662	63 176	56 083	52 673	-19.94	-6.47
Vote15 - Environmental Management	0	0	0	0	0	0
Total Revenue by Vote	150 031	181 799	174 622	165 037	-10.16	-5.81

Table 178.: *Revenue by Vote*

Chapter 5: Financial Performance

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2012/13 financial year:

Description	2011/12	2012/13			2012/13 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	14 337	18 397	17 888	17 220	-6.83	-3.88
Property rates - penalties & collection charges	223	101	101	103	1.82	1.82
Service Charges - electricity revenue	46 135	43 767	38 823	48 600	9.94	20.12
Service Charges - water revenue	15 574	16 902	16 902	16 434	-2.85	-2.85
Service Charges - sanitation revenue	8 797	11 991	11 991	9 421	-27.29	-27.29
Service Charges - refuse revenue	4 947	7 182	7 182	5 323	-34.93	-34.93
Service Charges - other	466	139	258	428	67.54	39.74
Rentals of facilities and equipment	587	499	499	947	47.30	47.30
Interest earned - external investments	585	734	945	1 595	53.98	40.75
Interest earned - outstanding debtors	1 116	642	642	494	-30.03	-30.03
Dividends received	0	0	0	0	0	0
Fines	6 703	7 025	7 025	4 987	-40.87	-40.87
Licences and permits	1 107	1 160	1 160	1 261	8.00	8.00
Agency services	0	0	0	0	0	0
Transfers recognised - operational	43 887	39 306	39 306	54 895	28.40	28.40
Other revenue	5 563	17 807	15 659	4 241	-319.86	-269.22
Gains on disposal of PPE	3	6	100	1 907	99.69	94.76
Environmental Protection	0	0	0	0	0	0
Total Revenue (excluding capital transfers and contributions)	150 031	165 658	158 481	167 855	1.31	5.58

Table 179.: *Revenue by Source*

Chapter 5: Financial Performance

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2012/13 financial year:

Financial Performance of Operational Services						
R'000						
Description	2011/12	2012/13			2012/13 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water	5 911	31 879	8 589	23 393	-36.28	63.28
Waste Water (Sanitation)	7 279	11 519	9 427	11 743	1.91	19.73
Electricity	40 883	58 924	53 313	75 030	21.47	28.94
Waste Management	9 410	13 470	10 211	11 512	-17.00	11.31
Housing	3 745	2 441	2 138	4 843	49.60	55.85
Component A: sub-total	67 229	118 233	83 678	126 521	6.55	33.86
Waste Water (Storm water Drainage)	0	0	0	0	0	0
Road Transport	9 041	17 019	12 509	13 610	-25.04	8.09
Component B: sub-total	9 041	17 019	12 509	13 610	-25.04	8.09
Planning and Development	5 836	9 249	9 261	14 902	37.94	37.85
Local Economic Development	0	0	0	0	0	0
Component C: sub-total	5 836	9 249	9 261	14 902	37.94	37.85
Community & Social Services	4 180	8 483	7 098	5 793	-46.42	-22.52
Environmental Protection	0	0	0	0	0	0
Health	133	8 230	217	79	-10253.24	-173.05
Sport and Recreation	2 693	3 663	3 418	2 897	-26.44	-18.00
Component D: sub-total	7 006	20 376	10 733	8 770	-132.34	-22.39
Public Safety	7 626	9 869	7 560	7 041	-40.16	-7.36
Component E: sub-total	7 626	9 869	7 560	7 041	-40.16	-7.36
Finance and Admin	18 342	31 372	28 440	23 915	-31.18	-18.92
Component F: sub-total	18 342	31 372	28 440	23 915	-31.18	-18.92
Total Expenditure	115 079	206 118	152 180	194 761	-5.83	21.86
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 180.: Operational Services Performance

Chapter 5: Financial Performance

5.2 Financial Performance per Municipal Function

5.2.1 Water Services

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	19 536	20 021	20 021	21 868	8.45
Expenditure:					
Employees	1 176	1 320	1 312	1 371	3.74
Repairs and Maintenance	477	749	749	688	-8.87
Other	4 258	7 237	6 511	21 271	65.98
Total Operational Expenditure	5 911	9 306	8 572	23 330	60.11
Net Operational (Service) Expenditure	13 625	10 715	11 448	(1 463)	832.63
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 181.: **Financial Performance: Water services**

5.2.2 Waste Water (Sanitation)

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	18 279	19 380	19 380	19 349	-0.16
Expenditure:					
Employees	2 339	2 381	2 370	2 368	-0.55
Repairs and Maintenance	445	712	712	614	-15.98
Other	4 496	7 078	6 344	8 761	19.21
Total Operational Expenditure	7 280	10 171	9 426	11 743	13.39
Net Operational (Service) Expenditure	10 999	9 209	9 954	7 606	-21.08
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 182.: **Financial Performance: Waste Water (Sanitation) services**

Chapter 5: Financial Performance

5.2.3 Electricity

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	49 943	63 135	56 083	53 040	-19.03
Expenditure:					
Employees	3 845	4 349	4 608	3 968	-9.59
Repairs and Maintenance	1 326	1 595	1 495	1 394	-14.45
Other	35 712	45 636	47 209	69 671	34.50
Total Operational Expenditure	40 884	51 580	53 313	75 033	31.26
Net Operational (Service) Expenditure	9 060	11 555	2 771	(21 993)	152.54
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 183.: **Financial Performance: Electricity**

5.2.4 Waste Management

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	10 977	1 175	11 754	11 833	90.07
Expenditure:					
Employees	4 868	5 718	4 710	5 611	-1.90
Repairs and Maintenance	539	711	711	651	-9.28
Other	3 992	5 435	5 134	5 952	8.68
Total Operational Expenditure	9 399	11 864	10 555	12 214	2.86
Net Operational (Service) Expenditure	1 579	(10 689)	1 199	(380)	-2710.68
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 184.: **Financial Performance: Waste Management**

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5.2.5 Housing

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	244	19	19	1 220	98.44
Expenditure:					
Employees	1 719	1 853	1 496	1 701	-8.92
Repairs and Maintenance	1 204	30	30	20	-50.70
Other	823	663	612	3 122	78.76
Total Operational Expenditure	3 746	2 546	2 138	4 843	47.43
Net Operational (Service) Expenditure	(3 502)	(2 527)	(2 119)	(3 624)	30.26
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 185.: **Financial Performance: Housing**

5.2.6 Roads

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	619	358	658	1 048	65.85
Expenditure:					
Employees	4 941	5 120	5 105	4 857	-5.42
Repairs and Maintenance	1 119	1 538	1 538	1 061	-45.00
Other	2 981	5 805	5 878	11 544	49.71
Total Operational Expenditure	9 041	12 463	12 521	17 461	28.63
Net Operational (Service) Expenditure	(8 422)	(12 105)	(11 862)	(16 413)	26.25
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 186.: **Financial Performance: Roads**

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5.2.7 Cemeteries

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	228	200	200	217	7.74
Expenditure:					
Employees	507	572	572	656	12.76
Repairs and Maintenance	6	34	34	12	-178.91
Other	78	267	222	1 160	76.97
Total Operational Expenditure	590	872	827	1 827	52.25
Net Operational (Service) Expenditure	(363)	(672)	(627)	(1 610)	58.24
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 187.: **Financial Performance: Cemeteries**

5.2.8 Social Programmes - Community Development

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	122	913	1 032	1 178	22.47
Expenditure:					
Employees	2 556	3 123	3 123	3 326	6.10
Repairs and Maintenance	330	553	553	436	-26.91
Other	704	3 103	2 595	204	-1422.09
Total Operational Expenditure	3 590	6 779	6 271	3 965	-70.95
Net Operational (Service) Expenditure	(3 468)	(5 866)	(5 239)	(2 788)	-110.42
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 188.: **Financial Performance: Social programmes - Community Development**

Chapter 5: Financial Performance

5.2.9 Pollution Control, Bio-Diversity, Landscape, Open Spaces, Parks, and Environmental Protection

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Employees	1 036	1 426	1 426	1 167	-22.19
Repairs and Maintenance	23	33	33	32	-3.92
Other	168	176	176	1 388	87.32
Total Operational Expenditure	1 227	1 635	1 635	2 587	36.79
Net Operational (Service) Expenditure	(1 227)	(1 635)	(1 635)	(2 587)	36.79
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 189.: **Financial Performance: Pollution Control, Bio-Diversity, Landscape, Open Spaces, Parks, And Environmental Protection**

5.2.10 Security and Safety

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	6 577	7 354	7 354	5 344	-37.60
Expenditure:					
Employees	3 194	3 149	3 383	3 486	9.66
Repairs and Maintenance	185	762	762	233	-226.46
Other	4 277	4 598	4 108	3 322	-38.39
Total Operational Expenditure	7 657	8 509	8 253	7 042	-20.84
Net Operational (Service) Expenditure	(1 079)	(1 155)	(899)	(1 697)	31.95
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 190.: **Financial Performance: Security and Safety**

Chapter 5: Financial Performance

5.2.11 Sport and Recreation

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	79	86	86	355	75.78
Expenditure:					
Employees	907	1 078	1 078	1 158	6.94
Repairs and Maintenance	201	354	354	283	-25.12
Other	405	134	435	427	68.65
Total Operational Expenditure	1 514	1 566	1 866	1 869	16.20
Net Operational (Service) Expenditure	(1 434)	(1 480)	(1 780)	(1 514)	2.23
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 191.: **Financial Performance: Sport and Recreation**

5.2.12 Executive and council

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	2 762	2 704	2 799	3 484	22.39
Expenditure:					
Employees	2 169	6 045	5 874	6 380	5.25
Repairs and Maintenance	127	218	218	124	-75.55
Other	6 359	4 492	4 129	12 287	63.44
Total Operational Expenditure	8 655	10 755	10 222	18 791	42.76
Net Operational (Service) Expenditure	(5 893)	(8 051)	(7 423)	(15 307)	47.40
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 192.: **Financial Performance: Executive and council**

Chapter 5: Financial Performance

5.2.13 Financial Services

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	30 441	36 008	34 212	34 185	-5.33
Expenditure:					
Employees	7 081	8 966	8 965	8 498	-5.51
Repairs and Maintenance	187	417	417	153	-172.77
Other	3 320	7 344	7 134	4 536	-61.90
Total Operational Expenditure	10 588	16 727	16 516	13 187	-26.85
Net Operational (Service) Expenditure	19 852	19 281	17 696	20 999	8.18
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 193.: **Financial Performance: Financial Services**

5.2.14 Human Resources

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Employees	3 364	4 944	4 944	4 039	-22.39
Repairs and Maintenance	145	178	253	113	-56.95
Other	2 007	2 982	2 887	2 882	-3.49
Total Operational Expenditure	5 515	8 104	8 084	7 034	-15.21
Net Operational (Service) Expenditure	(5 515)	(8 104)	(8 084)	(7 034)	-15.21
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 194.: **Financial Performance: Human Resources**

Chapter 5: Financial Performance

5.2.15 Property Management

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	35	40	40	45	11.92
Expenditure:					
Employees	763	840	840	842	0.21
Repairs and Maintenance	155	496	496	343	-44.58
Other	1 196	2 163	2 163	1 656	-30.62
Total Operational Expenditure	2 114	3 499	3 499	2 841	-23.17
Net Operational (Service) Expenditure	(2 079)	(3 459)	(3 458)	(2 795)	-23.74
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 195.: **Financial Performance: Property Management**

5.2.16 Other Administration

Description	2011/12	2012/13			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Employees	1 108	1 394	1 393	1 131	-23.28
Repairs and Maintenance	0	200	200	–	0
Other	547	715	605	177	-304.75
Total Operational Expenditure	1 656	2 309	2 199	1 307	-76.60
Net Operational (Service) Expenditure	(1 656)	(2 309)	(2 199)	(1 307)	-76.60
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 196.: **Financial Performance: Other Administration**

Chapter 5: Financial Performance

5.3 Grants

5.3.1 Grant Performance

Grant Performance						
R'000						
Description	2011/12	2012/13			2012/13 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Capital Transfers and Grants						
National Government:	32 679	37 623	37 623	38 166	1.42	1.42
Equitable share	30 439	34 323	34 323	34 323	0.00	0.00
Municipal Systems Improvement	790	800	800	800	0.00	0.00
Department of Water Affairs	0	0	0	843	100.00	100.00
EPWP	0	1 000	1 000	700	-42.86	-42.86
Finance Management Grant	1 450	1 500	1 500	1 500	0.00	0.00
Provincial Government:	0	1 683	1 683	5 279	68.12	68.12
Health subsidy	0	1 001	1 001	3 145	68.18	68.18
Housing	0	0	0	1 190	100.00	100.00
Dept of Transport	0	0	0	261	100.00	100.00
Sports and Recreation	0	682	682	682	0.00	0.00
Total Capital Transfers and Grants	32 679	39 306	39 306	43 445	9.53	9.53

Table 197.: Grant Performance for 2012/13

5.3.2 Conditional Grants (Excluding MIG)

R'000						
Details	Budget	Adjust- ed Budget	Actual	% Variance		Conditions complied with
				Budget	Adjust- ed Budget	
Department of Human Settlements	0	0	1 190	100.00	100.00	Yes
Municipal Systems Improvement Grant	800	800	800	0.00	0.00	yes
Department of Transport	0	0	2 500	100.00	100.00	Yes
Finance Management Grant	1 500	1 500	1 500	0.00	0.00	Yes

Chapter 5: Financial Performance

R'000						
Details	Budget	Adjust- ed Budget	Actual	% Variance		Conditions complied with
				Budget	Adjust- ed Budget	
Department of Sport and Recreation	682	682	682	0.00	0.00	Yes
Equitable share: Councillors Remuneration	32 579	32 579	32 579	0.00	0.00	Yes
Equitable share	1 744	1 744	1 744	0.00	0.00	Yes
Total	37 305	37 305	40 995	9.00	9.00	

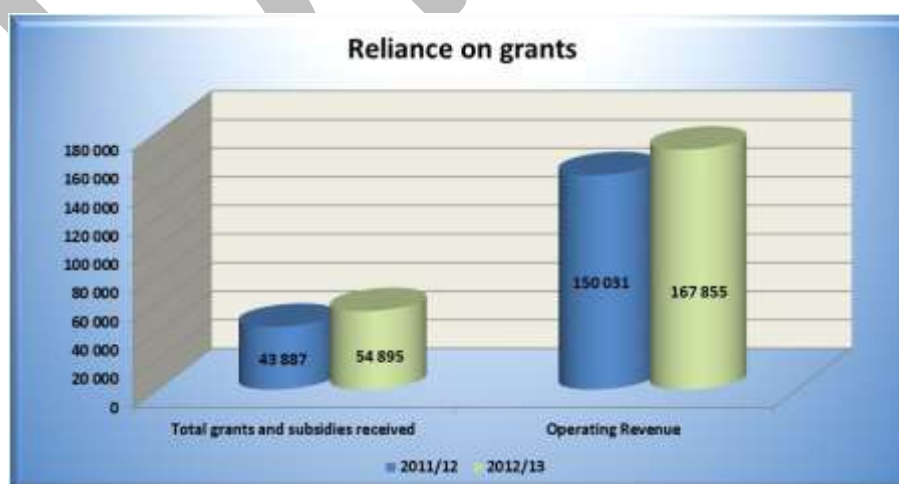
Table 198.: *Conditional Grant (excl. MIG)*

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	%
2011/12	43 887	150 031	29.25
2012/13	54 895	167 855	32.70

Table 199.: *Reliance on grants*

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



Graph 14.: *Reliance on grants*

Chapter 5: Financial Performance

5.4 Asset Management

5.4.1 Repairs and Maintenance

Description	2011/12	2012/13
	R'000	R'000
Total Operating Expenditure	205 896	218 200
Repairs and Maintenance	7 920	12 028
% of total OPEX	3.8	5.5

Table 200.: *Repairs & maintenance as % of total Operating Expenditure*

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



Graph 15.: *Repairs & Maintenance vs. Operational Expenditure*

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

Description	Basis of calculation	2011/12	2012/13
		Audited outcome	Audited outcome
Current Ratio	Current assets/current liabilities	3.58	3.67
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.57	1.86
Liquidity Ratio	Cash and equivalents/Trade creditors and short term borrowings	0.45	0.39

Table 201.: *Liquidity Financial Ratio*

Chapter 5: Financial Performance

5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2011/12	2012/13
		Audited outcome	Audited outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.94	1.09
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	83%	57%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	5.36	4.15

Table 202.: *Financial Viability National KPAs*

5.5.3 Borrowing Management

Description	Basis of calculation	2011/12	2012/13
		Audited outcome	Audited outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.017:1	0.015:1

Table 203.: *Borrowing Management*

5.5.4 Employee costs

Description	Basis of calculation	2011/12	2012/13
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	22.18%	25.87%

Table 204.: *Employee Costs*

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Sources of Finance

The table below indicates the capital expenditure by funding source for the 2012/13 financial year:

Capital Expenditure: Funding Sources						
R'000						
Details	2011/12	2012/13				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
External loans	0	0	0	0	0	0

Chapter 5: Financial Performance

Capital Expenditure: Funding Sources						
R'000						
Details	2011/12	2012/13				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Public contributions and donations	0	0	0	0	0	0
Grants and subsidies	13 302	16 141	16 141	11 451	-40.96	-40.96
Own funding	4 654	7 979	7 273	2 316	-244.50	-214.02
Other	0	0	0	0	0	0
Total	17 956	24 120	23 414	13 767	-75.20	-70.07
Percentage of finance						
External loans	0	0	0	0	0	0
Public contributions and donations	0	0	0	0	0	0
Grants and subsidies	74.08%	66.92%	68.94%	83.18%	0	0
Other	25.92%	33.08%	31.06%	16.82%	0	0
Capital expenditure						
Water and sanitation	2 262	5 852	520	650	-800.56	19.98
Electricity	193	800	800	4 285	81.33	81.33
Housing	0	0	0	142	100.00	100.00
Roads and stormwater	11 040	13 656	18 812	6 823	-100.14	-175.70
Other	4 461	3 812	3 282	1 803	-111.41	-82.01
Total	17 956	24 120	23 414	13 703	-76.02	-70.87
Percentage of expenditure						
Water and sanitation	12.60%	24.26%	2.22%	4.74%	0	0
Electricity	1.08%	3.32%	3.42%	31.27%	0	0
Housing	0	0	0	0	0	0
Roads and stormwater	61.48%	56.62%	80.34%	49.79%	0	0
Other	24.84%	15.80%	14.02%	14.20%	0	0

Table 205.: Capital Expenditure by funding source

Chapter 5: Financial Performance

5.7 Basic Service and Infrastructure Backlogs – Overview

5.7.1 Service Backlogs

Households (HHs)				
Description	Service level above minimum standard		Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	8 097	100	0	0
Sanitation	8 097	100	0	0
Electricity	8 215	100	0	0
Waste management	8 097	100	0	0

Table 206.: **Service Backlogs**

5.7.2 Municipal Infrastructure Grant (MIG)

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal Infrastructure Grant (MIG)* Expenditure 2012/13 on Service backlogs					
R' 000					
Details	Original Budget	Adjustments Budget	Actual	% Variance	
				Original Budget	Adjustments Budget
Infrastructure - Road transport	10 195	10 195	12 264	16.87	16.87
<i>Roads, Pavements & Bridges</i>	0	0	0	0	0
<i>Storm water</i>	10 195	10 195	12 264	16.87	16.87
Infrastructure - Electricity	0	0	0	0	0
<i>Generation</i>	0	0	0	0	0
Infrastructure - Water	0	0	0	0	0
<i>Water purification</i>	0	0	0	0	0
Infrastructure - Sanitation	5 200	5 200	0	0	0
<i>Sewerage purification</i>	5 200	5 200	0	0	0
Other Specify:	746	746	136	-448.53	-448.53
<i>Construction of Cemetery</i>	746	746	136	-448.53	-448.53
Total	Total	16 141	16 141	12 400	-30.17

* 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 is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 207.: **Municipal Infrastructure Grant (MIG)**

Chapter 5: Financial Performance

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.

5.8 Cash Flow

Cash Flow Outcomes				
R'000				
Description	2011/12	2012/13		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Cash flow from operating activities				
Receipts				
Ratepayers and other	123 993	119 277	119 277	92 856
Government - operating	34 600	38 311	38 311	40 299
Government - capital	9 287	16 141	16 141	14 596
Interest	585	734	734	1 595
Dividends	0	1	1	0
Payments				
Suppliers and employees	(131 508)	(129 788)	(129 788)	(116 010)
Finance charges	(1 284)	(1 121)	(1 121)	(1 041)
Transfers and Grants	(10 367)	(12 805)	(12 805)	(14 856)
Net cash from/(used) operating activities	25 306	30 750	30 750	17 438
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	(19 213)	65	65	(13 688)
Decrease (Increase) in non-current debtors	0	0	0	0
Decrease (increase) other non-current receivables	42	22	22	0
Decrease (increase) in non-current investments	0	0	0	0
Payments				
Capital assets	0	(24 085)	(24 085)	0
Net cash from/(used) investing activities	(19 171)	(23 998)	(23 998)	(13 688)
Cash flows from financing activities				

Chapter 5: Financial Performance

Cash Flow Outcomes				
R'000				
Description	2011/12	2012/13		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Receipts				
Short term loans	0	105	105	0
Borrowing long term/refinancing	0	0	0	0
Payments				
Repayment of borrowing	(2 050)	(2 350)	(2 350)	(2 275)
Net cash from/(used) financing activities	(2 050)	(2 245)	(2 245)	(2 275)
Net increase/ (decrease) in cash held	4 084	4 507	4 507	1 475
Cash/cash equivalents at the year begin:	5 141	9 225	9 225	9 225
Cash/cash equivalents at the yearend:	9 225	13 732	13 732	10 700

Table 208.: *Cashflow*

5.9 Gross Outstanding Debtors per Service

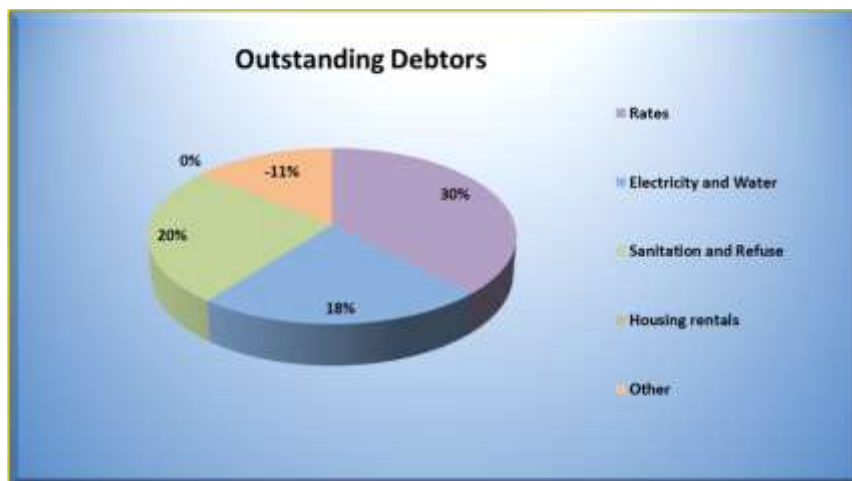
Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2011/12	8 689	41 923	21 865	0	3 239	75 717
2012/13	12 377	50 975	27 295	0	2 913	93 560
Difference	3 687	9 051	5 430	0	(326)	17 843
% growth year on year	42	22	25	0	-10	24

Note: Figures exclude provision for bad debt

Table 209.: *Gross outstanding debtors per service*

Chapter 5: Financial Performance

The following graph indicates the total outstanding debt per type of service for 2012/13



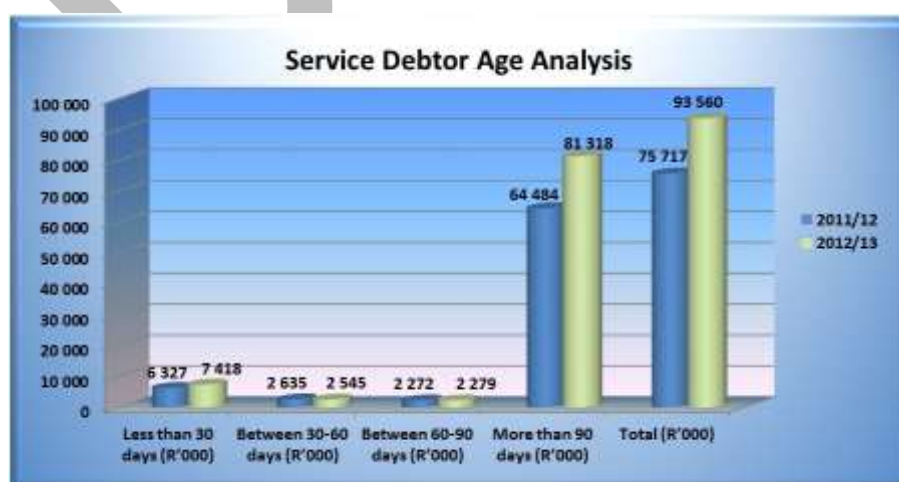
Graph 16.: *Debt per type of service*

5.10 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	R'000	R'000	R'000	R'000
2011/12	6 327	2 635	2 272	64 484	75 717
2012/13	7 418	2 545	2 279	81 318	93 560
Difference	1 091	(89)	7	16 834	17 843
% growth year on year	17	-3	0	26	24

Note: Figures exclude provision for bad debt.

Table 210.: *Service debtor age analysis*



Graph 17.: *Service debtor age analysis*

Chapter 5: Financial Performance

5.11 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.

5.11.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2011/12	2012/13
Long-Term Loans (annuity/reducing balance)	3 575	2 976
Instalment Credit	7 168	5 507
Total	10 744	8 483

Table 211.: *Actual Borrowings*

5.11.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2011/12	2012/13
	Actual	Actual
Negotiable Certificates of Deposit - Banks	6 284	9 928
Other	8 063	7 098
Total	14 347	17 026

Table 212.: *Municipal Investments*

Chapter 6: Auditor-General Findings

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2011/12

6.1 Auditor General Report 2011/12

2011/12	
Issue raised	Corrective step implemented
Aggregation of immaterial uncorrected misstatements Accumulated Surplus understated Revenue overstated Expenditure overstated Creditors overstated Receivables understated	The matter will be investigated and corrections will be made on the FMS system and AFS
Emphasis of matter:	
Restatement of corresponding figures: As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.	During the preparations of the AFS of 2013, it would be rectified.
Material losses and impairments: As disclosed in note 52.9 to the financial statements, the municipality suffered a significant electricity loss of R4 770 467 during the year under review.	DIHS will investigate the matter and will developed an programme of action to reduced the system losses
As disclosed in note 51.3 to the financial statements, the municipality incurred irregular expenditure of R16 257 924.	SCM Regulations will be followed to ensure that Irregular Expenditure is minimise
Additional Matters	
Of the total number of planned targets, only 60 were achieved during the year under review. This represents 20% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process. Furthermore, 39 of the total number of targets set for the year are in respect of objectives that are considered to be qualitatively material. Of these targets, 18% were not achieved during the year under review.	The PMS targets will be investigated and amendments to the Top Layer PMS will be corrected

Chapter 6: Auditor-General Findings

2011/12	
Issue raised	Corrective step implemented
Planned targets not met The audit committee did not adequately advise the accounting officer on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2)(a)(vii)	An effective communication between the Council and Audit Committee will be development and executed
The audit committee did not adequately review the annual financial statements to provide the council with an authoritative and credible view of the financial position, its efficiency and effectiveness and its overall level of compliance with the MFMA, Dora and other applicable legislation, as required by section 166(2)(b) of the MFMA	The report by the Audit committee on issues raised by the Auditor-General should become a standing item on the first council meeting after the final Audit report has been issued.
The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA	An effective communication between the Council and Audit Committee will be development and executed
A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for the this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a)	An effective communication between the Council and Audit Committee will be development and executed
The internal audit unit did not function as required by section 165 (2) of the MFMA, in that it did not advise the accounting officer on matters relating to accounting procedures and practices and risk management	An effective communication between the Council and Audit Committee will be development and executed
The internal audit unit did not report to the audit committee on matters relating compliance with the MFMA, Dora and other applicable legislation, as required by section 165(2)(b) of the MFMA	An effective communication between the Council and Audit Committee will be development and executed
The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14(1)(a)	Training on The auditing of Performance Information has been identified as a need and training will be arranged for the Internal audit unit.
The internal audit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(ii) and (iii)	An effective communication between the Council and Audit Committee will be development and executed
The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manger and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c)	An effective communication between the Council and Audit Committee will be development and executed

Chapter 6: Auditor-General Findings

2011/12	
Issue raised	Corrective step implemented
Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).	SCM Regulations will be adhere to as far as possible
Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as required by SCM regulation 28(2).	SCM Regulations will be adhere to as far as possible
Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.	All projects will be registered with CIDB immediately
Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of Municipal Systems Act.	All appointments will be made in accordance with the approved organigram
The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) Municipal Systems Act.	PMS agreements will be signed within the required timeframes
The performance agreements of a senior manager who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by Municipal Regulations on Minimum Competency Levels reg 16(2).	PMS agreements will be amended to include to Minimum Competency Levels,
Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.	Section 65(2) of the MFMA will be adhere too
The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.	SCM Regulations will be adhere to as far as possible
The municipality did not submit a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011, the Human Settlement and built environment performance framework, proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280.	The municipality will strive to comply with the DORGF by submitting the performance framework before the due date.
Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered	Spending patterns will be improve to avoid unspent conditional grants being repaid to National Treasury

Chapter 6: Auditor-General Findings

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

Chapter 6: Auditor-General Findings

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

Table 213.: **AG Report on Financial Performance 2011/12**

Chapter 6: Auditor-General Findings

COMPONENT B: AUDITOR-GENERAL OPINION 2012/13

6.2 Auditor General Report 2012/13

2012/13	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Financial statements	
The municipality under spent on the various grants to the amount of R12 307 652.	Proper planning of the Capital Programme and the awarding of tenders will be done in advance in the future.
Material losses to the amount of R10 369 635 were incurred as a result of bulk electricity and water purchases.	A programme will be developed to address the line losses of water and electricity.
The material impairments to the amount of R6 872 760 were incurred as a result of recoverability of trade debtors.	More aggressive collection efforts will be employed.
Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget.	The depreciation as per Grap 17 will be further discussed with Provincial and National Treasury.
The financial statements submitted for auditing were not prepared in all material respects.	We will try to adhere to these in the 2013/14 financial year.
Predetermined Objectives	
Adequate and reliable corroborating evidence could not be provided for 47% of major variances.	Proper planning and keeping of PDO's will be done in future to ensure that all targets are met within the set time frame and can be proofed.
The required performance could not be measured for a total of 34% of the targets.	
The reported performance information as a whole of basic services are materially misstated.	
Lack of standard operating procedures for the accurate recording of actual achievements and monitoring of the completeness of source documentation in support of actual achievements.	
40% of planned targets were not achieved during the year under review. Mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.	We will do a proper review of the KPI's and their targets on our SDBIP after the adjustment's estimate to cater for our changing environment.
Strategic planning and performance management	
The municipal council did not consult with the local community in the drafting and implementation of the IDP, by means of a municipal wide structure for community participation.	Proper consultation in terms of Section 21 of the Municipal Systems Act will be instituted as a matter of urgency.
The performance management system of the municipality did not provide for taking steps to improve performance with regards to those development priorities and objectives where performance targets are not met.	Management will monitor the actual performance in terms of the SDBIP on a regular basis to address early warning indications in order to ensure that targets are met.

Chapter 6: Auditor-General Findings

2012/13	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
The municipality did not establish mechanisms to monitor and review its performance management system.	
The municipality did not set measurable performance targets for the financial year with regards to each of the development priorities and objectives and key performance indicators set out in the IDP.	We will review our IDP with the view to more simplify our development priorities in line with our limited capacity and budget.
The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls.	A plan of action will be developed and implemented.
The internal audit did not audit the results of performance measurements.	The internal audit will develop a clear programme of action to address the issue.
The internal audit did not assess the functionality of the performance management system.	
The internal audit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators.	
The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audit.	
The performance audit committee was not in place and the audit committee established as required	
Annual Report	
Oversight report, containing comments on the annual report, was not adopted by council within two months form the date in which the 2012 annual report was tabled.	The Oversight report will be tabled and published within the required time frames.
Internal Audit & Audit Committees	
An audit committee was not in place, this resulted in all functions that are performed by the audit committee not being fulfilled.	An Audit Committee will be established by the end of December.
Internal audit did not report to the audit committee on the implementation of the internal audit plan	Weaknesses within Internal Audit will be addressed by developing a clear and proper plan of action.
Internal audit did not report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.	This will be monitored by the Municipal Manager and Directors.
The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance.	This will be monitored by the Municipal Manager and Directors.
Procurement and contract management	
Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are	

Chapter 6: Auditor-General Findings

2012/13	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
employed by the state or connected to any person employed by the state.	MBD documentation will be completed with all procurement.
Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations.	
The preference point system was not applied in all procurement of goods and services above R30 000.	
Contracts were awarded to bidders based on preference points that were not allocated in accordance with requirements	
Quotations were awarded to bidders that did not score the highest points in the evaluation process.	Proper reasons will be provided when deviations occur.
Expenditure Management	
Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement.	Payments will be made within 30 days after receipt of valid invoices.
Reasonable steps were not taken to prevent unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure.	Proper expenditure management will be developed and enforced immediately.
Consequences Management	
Unauthorized expenditure, irregular, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for expenditure.	Proper investigation will be done and the matter will be reported to the Mayor and Council.
Internal Control	
The accounting officer did not ensure that proper policy and procedures and internal control procedures are developed, implemented and monitored to report on the property plant and equipment of the municipality.	Internal control will be sharpened and improved to ensure that all weaknesses, inadequate controls and other short comings are addressed immediately.
The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of maintaining the preparing the annual financial statements and compliance with the supply chain management regulations.	Internal control will be sharpened and improved to ensure that all weaknesses, inadequate controls and other short comings are addressed immediately
The accounting officer did not ensure that effective and adequate internal controls and systems are in place to ensure compliance with laws and regulations and pre-determined objectives. This is evidenced by significant finding as reported in this audit report	Internal control will be sharpened and improved to ensure that all weaknesses, inadequate controls and other short comings are addressed immediately
The financial statements were not sufficiently reviewed for completeness and accuracy prior to submission for auditing	Internal control will be sharpened and improved to ensure that all weaknesses, inadequate controls and other short comings are addressed immediately

Chapter 6: Auditor-General Findings

2012/13	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
The municipality lacks skills regarding certain aspects of financial reporting framework and performance management requirements. The underlying accounting records of the municipality did not always facilitate the preparation of the financial statements to comply with the accounting framework.	The IT Policy has been approved by the Rules Committee and the IT implementation plan of the strategy will be developed and enforced immediately.
Management does not design and implement formal controls over IT systems and availability, accuracy and protection of information.	The IT Policy has been approved by the Rules Committee and the IT implementation plan of the strategy will be developed and enforced immediately.
There is no sufficient controls around daily processing between cash received and cash banked.	Proper control will be developed with clear segregation of duties that will be assigned to the various officials in the Revenue Division.

Table 214.: **AG Report on Financial Performance 2012/13**

Abbreviations

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)

Abbreviations

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

Annexure A

Financial Statements

EMTHANJENI LOCAL MUNICIPALITY
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General information

Members of the Council:

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

Municipal Manager: I Visser

Chief Financial Officer: MF Manuel

Grading of Local Authority: Grade 2

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: 45 Voortrekker Street
De Aar
7000

Physical address: 45 Voortrekker Street
De Aar
7000

Postal address: PO Box 42
De Aar
7000

Telephone number: (053) 632 9100

Fax number: (053) 631 0105

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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 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and 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 Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

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

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) at the end of the Year	(48,767,017)	(56,242,568)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.09%	22.18%
Remuneration of Councillors	1.71%	1.66%
Collection Costs	0.03%	0.00%
Depreciation and Amortisation	31.86%	33.35%
Impairment Losses	3.18%	8.24%
Repairs and Maintenance	5.58%	3.85%
Finance Costs	0.48%	0.62%
Bulk Purchases	17.92%	16.56%
Contracted Services	3.35%	4.22%
Grants and Subsidies Paid	0.14%	0.38%
General Expenses	9.20%	8.73%
Loss on Disposal of Property, Plant and Equipment	0.04%	0.02%
Loss on Sale of Land	0.40%	0.14%
Inventory Written-off	0.02%	0.03%
Current Ratio:		
Trade Creditors Days	30	30
Debtors from Exchange Transactions Days	212	183

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REPORT OF THE CHIEF FINANCIAL OFFICER

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.48%	0.62%
Capital Charges to Own Revenue	0.62%	0.86%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.00%	0.00%
Safety of Capital:		
Gearing	0.83%	1.01%
Liquidity:		
Current Ratio	3.23	3.10
Liquidity Ratio	1.03	1.54
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	85.32%	74.32%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Debtors from Exchange Transactions Days	210	181
Outstanding Debtors to Revenue	33.80%	30.84%
Creditors Management:		
Creditors to Cash and Investments	63.18%	88.78%
Financial Viability:		
Debt Coverage	0.16	0.14
Outstanding Service Debtors to Revenue	33.80%	30.84%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

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 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1,069,504,056	1,125,746,624	-5%		
Operating income for the year	167,600,114	149,653,599	12%	166,341,198	1%
	1,237,104,170	1,275,400,224		-	
Expenditure:					
Operating expenditure for the year	216,367,131	205,896,168	5%	157,064,270	38%
Closing surplus / (deficit)	1,020,737,039	1,069,504,056	-5%		
	1,237,104,170	1,275,400,224			

EMTHANJENI LOCAL MUNICIPALITY

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REPORT OF THE CHIEF FINANCIAL OFFICER

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 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	55,754,557	49,061,862	14%	47,255,485	18%
Expenditure	95,187,988	94,584,609	1%	81,339,456	17%
Surplus / (Deficit)	(39,433,430)	(45,522,747)		-	
Surplus / (Deficit) as % of total income	(70.73)%	(92.79)%		-	

Variance from 2011/12 actual:

No material fluctuations were identified.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

3.2 Housing Services:

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

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	1,219,589	244,006	400%	19,102	6285%
Expenditure	4,842,947	4,006,883	21%	2,137,945	127%
Surplus / (Deficit)	(3,623,358)	(3,762,877)		(2,118,843)	
Surplus / (Deficit) as % of total income	(297.10)%	(1542.13)%		(11092.26)%	

Variance from 2011/12 actual:

The 400% increase on last year's actual revenue is primarily as a result of the Housing Accreditation Grant received which has been included in revenue. The 21% increase on last year's actual expenditure is primarily as a result of the Housing Projects undertaken by the Municipality.

Variance from 2012/13 budget:

The Housing Accreditation Grant was not budgeted for, resulting in the significant fluctuations. The increase is due to the Housing Projects undertaken by the Municipality.

3.3 Waste Management Services:

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

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	28,208,577	24,722,347	14%	26,020,419	8%
Expenditure	18,700,069	20,099,953	-7%	14,868,312	26%
Surplus / (Deficit)	9,508,509	4,622,395		11,152,107	
Surplus / (Deficit) as % of total income	33.71%	18.70%		42.86%	

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Variance from 2011/12 actual:

The 14% increase on last year's actual revenue is primarily the result of additional services provided.

Variance from 2012/13 budget:

The 26% increase in the expenditure is directly related to the increase in the revenue obtained.

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 R37 643 290 (2012: R33 173 974). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	52,351,708	56,283,920	-7%	74,675,636	-30%
Expenditure	74,675,636	54,105,665	38%	51,796,081	44%
Surplus / (Deficit)	(22,323,928)	2,178,254		22,879,555	
Surplus / (Deficit) as % of total income	(42.64)%	3.87%		30.64%	

Variance from 2011/12 actual:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

3.5 Water Services:

Water is bought in bulk from various farmers in the region and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R1 147 195 (2012: R931 628). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	29,105,012	19,007,830	53%	18,370,556	58%
Expenditure	21,999,822	32,765,426	-33%	6,922,476	218%
Surplus / (Deficit)	7,105,190	(13,757,596)		11,448,080	
Surplus / (Deficit) as % of total income	24.41%	(72.38)%		62.32%	

Variance from 2012/13 actual:

The increase of 53% is directly related to the revenue generated from The Britstown Bulk Water Project that was completed and used during the financial year.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

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REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R13 722 345 (2012: R18 516 990). Full details of Assets are disclosed in Notes 9, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R13 722 345 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	12,240,588	13,252,107	-8%	16,141,000	-24%
Own Funds (Accumulated Surplus)	1,481,757	5,264,883	-72%	7,979,363	-81%
	13,722,345	18,516,990		24,120,363	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	89%	72%
Own Funds (Accumulated Surplus)	11%	28%
	100%	100%

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.

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2013
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	9,278,273
Revenue variances	9,120,066
Expenditure variances:	
Employee related costs	(3,005,784)
Remuneration of councillors	(190,533)
Debt impairment	(66,492)
Depreciation & asset impairment	(61,001,341)
Finance charges	120,320
Bulk purchases	(1,063,060)
Other materials	79,984
Contracted services	2,658,515
Transfers and grants	(764,757)
Other expenditure	10,407,320
Inventory Written-off	2,802,597
Loss on Sale of Land	(86,230)
Loss on disposal of PPE	(874,439)
Inventory Written-off	(39,905)
Transfers Recognised - Capital	(16,141,550)
Actual surplus before appropriations	(48,767,017)

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REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2013
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	9,982,233
Executive and Council	(5,810,903)
Budget and treasury office	5,972,808
Community and social services	1,710,747
Sport and recreation	568,915
Public safety	2,767,295
Housing	(1,504,515)
Health	(863,442)
Planning and development	(28,514,470)
Road transport	(3,642,748)
Electricity	(24,682,306)
Water	(4,326,036)
Waste management	(991,498)
Other	566,901
Actual surplus before appropriations	(48,767,018)

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

4.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	86,057	451,640	(365,583)	209,000	(574,583)
Finance and Administration	432,344	597,274	(164,930)	1,623,103	(1,788,033)
Planning and Development	5,307	59,945	(54,638)	18,900	(73,538)
Health	-	-	-	20,225	(20,225)
Community and Social Services	856,104	211,237	644,867	1,107,944	(463,077)
Housing	1,781	3,627,225	(3,625,444)	-	(3,625,444)
Public Safety	293,999	-	293,999	420,000	(126,001)
Sport and Recreation	41,775	-	41,775	94,944	(53,169)
Waste Management	-	283,339	(283,339)	5,852,000	(6,135,339)
Roads and Transport	1,942,768	9,578,652	(7,635,884)	3,461,393	(11,097,277)
Water	6,916,711	1,874,942	5,041,769	10,194,854	(5,153,085)
Electricity	3,145,499	1,832,736	1,312,763	412,200	900,563
	13,722,345	18,516,990	(4,794,645)	23,414,563	(28,209,208)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 10% from budget, are included in the Budget Statement.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 035 928 917 (30 June 2012: R1 086 274 559) and is made up as follows:

Accumulated Surplus	1,020,737,039
	<u>1,020,737,039</u>

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

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R6 007 941 (30 June 2012: R8 510 509).

Refer to Note 21 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R28 838 662 (30 June 2012: R25 130 605).

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

Refer to Note 22 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R8 904 365 as at 30 June 2013 (30 June 2012: R5 073 126) and is made up as follows:

Provision for Long-term Service	2,933,312
Provision for Rehabilitation of Land-fill Sites	5,971,053
	<u>8,904,365</u>

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

Refer to Note 23 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R39 319 285 as at 30 June 2013 (30 June 2012: R36 636 928) and is made up as follows:

Consumer Deposits	Note 15	1,825,041
Provisions	Note 16	882,492
Payables from Exchange Transactions	Note 17	10,019,658
Payables from Non-exchange Transactions	Note 18	844,342
Unspent Conditional Grants and Receipts	Note 19	12,541,448
VAT Payable	Note 20	4,223,247
Bank Overdraft	Note 7	6,498,375
Current Portion of Long-term Liabilities	Note 21	2,484,682
		<u>39,319,285</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.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R971 261 240 as at 30 June 2013 (30 June 2012: R1 026 179 848).

Refer to Note 9 and Appendices "B and C" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R538 049 as at 30 June 2013 (30 June 2012: R1 062 346).

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 10 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R5 004 000 as at 30 June 2013 (30 June 2012: R3 100 000).

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 11 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R13 980 as at 30 June 2013 (30 June 2012: R10 940).

These investments comprise of OVK shares.

Refer to Note 13 for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R1 164 at 30 June 2013 (30 June 2012: R1 164) is made up as follows:

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

This loan is represented by the OVK loan.

Refer to Note 14 for more detail.

15. CURRENT ASSETS

Current Assets amounted R136 806 253 as at 30 June 2013 (30 June 2012: R124 714 024) and is made up as follows:

Inventories	Note 2	52,944,866
Non-current Assets Held-for-Sale	Note 3	71,732
Receivables from Exchange Transactions	Note 4	46,603,596
Receivables from Non-exchange Transactions	Note 5	10,051,549
VAT Receivable	Note 6	-
Cash and Cash Equivalents	Note 7	17,196,489
Current Portion of Operating Lease Receivables	Note 8	25,602
		<u><u>126,893,833</u></u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

EMTHANJENI LOCAL MUNICIPALITY
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for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

16. 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 19 and 26, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 58.

15. 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

30 August 2013

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
ASSETS			
Current Assets		126,893,833	114,801,602
Inventories	2	52,944,866	54,193,711
Non-current Assets Held-for-Sale	3	71,732	-
Receivables from Exchange Transactions	4	46,603,596	38,360,851
Receivables from Non-exchange Transactions	5	10,051,549	7,788,763
VAT Receivable	6	-	-
Cash and Cash Equivalents	7	17,196,489	14,379,346
Current Portion of Operating Lease Receivables	8	25,602	78,931
Non-Current Assets		976,913,455	1,030,474,921
Property, Plant and Equipment	9	971,261,240	1,026,179,848
Intangible Assets	10	538,049	1,062,346
Investment Property	11	5,004,000	3,100,000
Non-current Investments	13	13,980	10,940
Operating Lease Receivables	8	95,021	120,623
Long-term Receivables	14	1,164	1,164
Total Assets		1,103,807,287	1,145,276,523
LIABILITIES			
Current Liabilities		39,319,285	37,058,235
Consumer Deposits	15	1,825,041	1,781,959
Provisions	16	882,492	778,080
Payables from Exchange Transactions	17	10,019,658	11,673,121
Payables from Non-exchange Transactions	18	844,342	1,092,970
Unspent Conditional Grants and Receipts	19	12,541,448	11,954,427
VAT Payable	20	4,223,247	2,366,885
Bank Overdraft	7	6,498,375	5,154,118
Current Portion of Long-term Liabilities	21	2,484,682	2,256,675
Non-Current Liabilities		43,750,967	38,714,240
Long-term Liabilities	21	6,007,941	8,510,509
Retirement Benefit Liabilities	22	28,838,662	25,130,605
Non-current Provisions	23	8,904,365	5,073,126
Total Liabilities		83,070,252	75,772,475
Total Assets and Liabilities		1,020,737,035	1,069,504,048
NET ASSETS		1,020,737,035	1,069,504,052
Accumulated Surplus / (Deficit)	24	1,020,737,035	1,069,504,052
Total Net Assets		1,020,737,035	1,069,504,052

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	25	17,220,134	14,337,195
Property Rates - Penalties imposed and collection charges	29	102,997	223,361
Fines		4,986,790	6,703,169
Licences and Permits		1,260,854	1,107,196
Government Grants and Subsidies Received	26	54,961,467	43,887,413
Revenue from Exchange Transactions			
Service Charges	27	79,884,146	75,540,769
Rental of Facilities and Equipment	28	946,889	587,101
Interest Earned - External Investments	29	1,594,930	585,044
Interest Earned - Outstanding Debtors	29	493,738	1,115,696
Other Revenue	30	4,241,129	5,563,393
Other Gains on Continued Operations	40	1,907,040	3,262
Total Revenue		167,600,114	149,653,599
EXPENDITURE			
Employee Related Costs	31	56,439,645	45,674,920
Remuneration of Councillors	32	3,693,580	3,421,246
Collection Costs		66,492	-
Depreciation and Amortisation	33	68,925,399	68,668,190
Impairment Losses	34	6,872,760	16,971,219
Repairs and Maintenance		12,080,155	7,919,543
Finance Costs	35	1,041,433	1,284,487
Bulk Purchases	36	38,781,485	34,105,602
Contracted Services	37	7,257,409	8,686,782
Grants and Subsidies Paid	38	304,870	788,172
General Expenses	39	19,903,328	17,981,505
Loss on Disposal of Property, Plant and Equipment		86,230	44,914
Loss on Sale of Land		874,439	288,719
Inventory Written-off		39,905	60,870
Total Expenditure		216,367,131	205,896,168
SURPLUS / (DEFICIT) FOR THE YEAR		(48,767,017)	(56,242,568)

Refer to Budget Statement for explanation of budget variances

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages X to XX, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: I Visser

30 August 2013

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2012		
Balance at 30 June 2011	919,832,244	919,832,244
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	205,914,381	205,914,381
Restated Balance	1,125,746,624	1,125,746,624
Surplus / (Deficit) for the year	(56,242,568)	(56,242,568)
Balance at 30 June 2012	1,069,504,056	1,069,504,056
2013		
Restated Balance	1,069,504,056	1,069,504,056
Surplus / (Deficit) for the year	(48,767,017)	(48,767,017)
Balance at 30 June 2013	1,020,737,039	1,020,737,039

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

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		14,451,663	13,715,416
Government Grant and Subsidies		55,548,489	53,516,450
Service Charges		65,451,101	62,358,505
Interest Received		1,594,930	585,044
Other Receipts		12,025,301	21,443,328
Payments			
Employee Related Costs		(51,982,324)	(46,404,031)
Remuneration of Councillors		(3,693,580)	(3,421,246)
Interest Paid		(1,041,433)	(1,284,487)
Suppliers Paid		(79,404,370)	(73,588,116)
Other Payments		4,485,871	(1,614,829)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44	<u>17,435,648</u>	<u>25,306,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(13,703,153)	(19,271,215)
Purchase of Intangible Assets	10	(63,909)	(25,609)
Proceeds on Disposal of Property, Plant and Equipment	9	-	1,226
Proceeds on Disposal of Investment Property	11	-	45,381
Other Movement of Property, Plant and Equipment	9	-	(7,141)
Decrease / (Increase) in Operating Lease Assets	8	78,860	44,061
Decrease / (Increase) in Long-term Receivables	14	-	42,401
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(13,688,201)</u>	<u>(19,170,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	21	(2,274,561)	(2,050,435)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(2,274,561)</u>	<u>(2,050,435)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>1,472,886</u>	<u>4,084,702</u>
Cash and Cash Equivalents at Beginning of Period	7	9,225,228	5,140,525
Cash and Cash Equivalents at End of Period	7	10,698,114	9,225,228

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	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	%	%
FINANCIAL POSITION									
Current Assets									
Inventories	40,849,636	-	-	40,849,636	52,944,866	-	12,095,230	130%	130%
Non-current Assets Held-for-Sale	-	-	-	-	71,732	-	71,732	0%	0%
Receivables from Exchange Transactions	11,747,852	-	-	11,747,852	46,603,596	-	34,855,744	397%	397%
Receivables from Non-exchange Transactions	7,924,000	-	-	7,924,000	10,051,549	-	2,127,549	127%	127%
VAT Receivable	-	-	-	-	-	-	-	0%	0%
Cash and Cash Equivalents	12,460,000	-	-	12,460,000	17,196,489	-	4,736,489	138%	138%
Operating Lease Receivables	-	-	-	-	25,602	-	25,602	0%	0%
Non-Current Assets									
Property, Plant and Equipment	823,141,529	-	-	823,141,529	971,261,240	-	148,119,711	118%	118%
Intangible Assets	1,060,000	-	-	1,060,000	538,049	-	(521,951)	51%	51%
Investment Property	4,272,000	-	-	4,272,000	5,004,000	-	732,000	117%	117%
Non-current Investments	-	-	-	-	13,980	-	13,980	0%	0%
Operating Lease Receivables	186,300	-	-	186,300	95,021	-	(91,279)	51%	51%
Long-term Receivables	-	-	-	-	1,164	-	1,164	0%	0%
Total Assets	901,641,317	-	-	901,641,317	1,103,807,287	-	202,165,970		
Current Liabilities									
Consumer Deposits	1,869,000	-	-	1,869,000	1,825,041	-	(43,959)	98%	98%
Provisions	1,896,000	-	-	1,896,000	882,492	-	(1,013,508)	47%	47%
Payables from Exchange Transactions	9,958,800	-	-	9,958,800	10,019,658	-	60,858	101%	101%
Payables from Non-exchange Transactions	-	-	-	-	844,342	-	844,342	0%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	12,541,448	-	12,541,448	0%	0%
VAT Payable	-	-	-	-	4,223,247	-	4,223,247	0%	0%
Bank Overdraft	1,452,000	-	-	1,452,000	6,498,375	-	5,046,375	448%	448%
Current Portion of Long-term Liabilities	1,200,000	-	-	1,200,000	2,484,682	-	1,284,682	207%	207%
Non-Current Liabilities									
Long-term Liabilities	9,946,632	-	-	9,946,632	6,007,941	-	(3,938,691)	60%	60%
Retirement Benefit Liabilities	30,432,852	-	-	30,432,852	28,838,662	-	(1,594,190)	95%	95%
Non-current Provisions	-	-	-	-	8,904,365	-	8,904,365	0%	0%
Total Liabilities	56,755,284	-	-	56,755,284	83,070,252	-	26,314,968		
Total Assets and Liabilities	844,886,033	-	-	844,886,033	1,020,737,035	-	175,851,002		
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	843,885,223	-	-	843,885,223	1,020,737,035	-	176,851,812	121%	121%
Total Net Assets	843,885,223	-	-	843,885,223	1,020,737,035	-	176,851,812		

EMTHANJENI LOCAL MUNICIPALITY

30 June 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	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	%	%
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	18,396,761	(508,878)	-	17,887,883	17,220,134	-	(667,749)	96%	94%
Property Rates - Penalties imposed and collection charges	-	-	-	-	102,997	-	102,997	0%	0%
Fines	7,025,473	-	-	7,025,473	4,986,790	-	(2,038,683)	71%	71%
Licences and Permits	1,160,319	-	-	1,160,319	1,260,854	-	100,535	109%	109%
Government Grants and Subsidies Received	39,306,000	-	-	39,306,000	54,961,467	-	15,655,467	140%	140%
Revenue from Exchange Transactions									
Service Charges	79,982,000	(4,826,000)	-	75,156,000	79,884,146	-	4,728,146	106%	100%
Rental of Facilities and Equipment	499,305	-	-	499,305	946,889	-	447,584	190%	190%
Interest Earned - External Investments	734,104	210,896	-	945,000	1,594,930	-	649,930	169%	217%
Interest Earned - Outstanding Debtors	741,126	-	-	741,126	493,738	-	(247,388)	67%	67%
Other Income	17,806,700	(2,147,758)	-	15,658,942	4,241,129	-	(11,417,813)	27%	24%
Other Gains on Continued Operations	-	-	-	-	1,907,040	-	1,907,040	0%	0%
Gains on Disposal of Property, Plant and Equipment	5,618	94,382	-	100,000	-	-	(100,000)	0%	0%
Profit on Sale of Land	-	-	-	-	-	-	-	0%	0%
Total Revenue	165,657,406	(7,177,358)	-	158,480,048	167,600,114	-	9,120,066		
Expenditure									
Employee Related Costs	53,433,861	-	-	53,433,861	56,439,645	-	3,005,784	106%	106%
Remuneration of Councillors	3,503,047	-	-	3,503,047	3,693,580	-	190,533	105%	105%
Collection Costs	-	-	-	-	66,492	-	66,492	0%	0%
Depreciation and Amortisation	7,924,058	-	-	7,924,058	68,925,399	-	61,001,341	870%	870%
Impairment Losses	8,217,088	(1,224,008)	-	6,993,080	6,872,760	-	(120,320)	98%	84%
Repairs and Maintenance	11,017,095	-	-	11,017,095	12,080,155	-	1,063,060	110%	110%
Finance Costs	1,121,417	-	-	1,121,417	1,041,433	-	(79,984)	93%	93%
Bulk Purchases	38,142,000	3,298,000	-	41,440,000	38,781,485	-	(2,658,515)	94%	102%
Contracted Services	6,989,484	(496,832)	-	6,492,652	7,257,409	-	764,757	112%	104%
Grants and Subsidies Paid	12,629,739	(1,917,549)	-	10,712,190	304,870	-	(10,407,320)	3%	2%
General Expenses	24,601,629	(1,895,704)	-	22,705,925	19,903,328	-	(2,802,597)	88%	81%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	86,230	-	86,230	0%	0%
Loss on Sale of Land	-	-	-	-	874,439	-	874,439	0%	0%
Inventory Written-off	-	-	-	-	39,905	-	39,905	0%	0%
Total Expenditure	167,579,418	(2,236,093)	-	165,343,325	216,367,131	-	51,023,806		
Surplus/(Deficit)	(1,922,012)	(4,941,265)	-	(6,863,277)	(48,767,017)	-	(41,903,740)	711%	2537%
Transfers Recognised - Capital	16,141,000	-	-	16,141,000	-	-	(16,141,000)	0%	0%
Surplus/(Deficit for the Year)	14,218,988	(4,941,265)	-	9,277,723	(48,767,017)	-	(58,044,740)		

EMTHANJENI LOCAL MUNICIPALITY

30 June 2013

	2012/2013								
Description	Original Total Budget	Budget Adjustments	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	%	%
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	209,000	-	-	209,000	86,057	-	(122,943)	41%	41%
Finance and Administration	1,295,911	(20,000)	-	1,275,911	432,344	-	(843,567)	34%	33%
Corporate Services	387,192	(40,000)	-	347,192	-	-	(347,192)	0%	0%
Planning and Development	18,900	-	-	18,900	5,307	-	(13,593)	28%	28%
Health	20,225	-	-	20,225	-	-	(20,225)	0%	0%
Community and Social Services	1,315,944	(208,000)	-	1,107,944	856,104	-	(251,840)	77%	65%
Housing	-	-	-	-	1,781	-	1,781	0%	0%
Public Safety	470,000	(50,000)	-	420,000	293,999	-	(126,001)	70%	63%
Sport and Recreation	94,944	-	-	94,944	41,775	-	(53,169)	44%	44%
Environmental Protection	-	-	-	-	-	-	-	0%	0%
Waste Management	5,852,000	-	-	5,852,000	-	-	(5,852,000)	0%	0%
Roads and Transport	3,461,393	-	-	3,461,393	1,969,078	-	(1,492,315)	57%	57%
Water	10,194,854	-	-	10,194,854	6,916,711	-	(3,278,143)	68%	68%
Electricity	800,000	(387,800)	-	412,200	3,163,905	-	2,751,705	768%	395%
Other	-	-	-	-	-	-	-	0%	0%
Total Sources of Capital Funds	24,120,363	(705,800)	-	23,414,563	13,767,061	-	(9,647,502)		
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Ratepayers and Other	119,277,310	-	-	119,277,310	91,893,814	-	(27,383,496)	77%	77%
Grants	54,452,000	-	-	54,452,000	55,504,172	-	1,052,172	102%	102%
Dividends Received	1,000	-	-	1,000	-	-	(1,000)	0%	0%
Interest Received	734,000	-	-	734,000	1,594,930	-	860,930	217%	217%
Suppliers and Employees	(129,788,000)	-	-	(129,788,000)	(130,464,794)	-	(676,794)	101%	101%
Interest Paid	(1,121,000)	-	-	(1,121,000)	(1,041,433)	-	79,567	93%	93%
Transfers and Grants	(12,805,000)	-	-	(12,805,000)	-	-	12,805,000	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(24,085,000)	-	-	(24,085,000)	(13,767,061)	-	10,317,939	57%	57%
Purchase of Intangible Assets	-	-	-	-	-	-	-	100%	100%
Purchase of Investment Property	-	-	-	-	-	-	-	100%	100%
Proceeds on Disposal of Property, Plant and Equipment	65,000	-	-	65,000	-	-	(65,000)	0%	0%
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	100%	100%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	100%	100%
Profit on Sale of Land	-	-	-	-	-	-	-	100%	100%
Decrease / (Increase) in Non-current Investments	22,000	-	-	22,000	-	-	(22,000)	0%	0%
Decrease / (Increase) in Operating Lease Assets	-	-	-	-	78,931	-	78,931	0%	0%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	100%	100%
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	100%	100%
Loans repaid	(2,350,000)	-	-	(2,350,000)	(2,274,561)	-	75,439	97%	97%
Increase / (Decrease) in Consumer Deposits	105,000	-	-	105,000	43,082	-	(61,918)	41%	41%
Cash and Cash Equivalents at End of the Year	4,507,310	-	-	4,507,310	1,567,082	-	(2,940,228)		

EMTHANJENI LOCAL MUNICIPALITY

30 June 2013

Description	Original Total Budget	Budget Adjustments	Virement	2012/2013					
				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	%	%
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 between the financial records and the title deeds and accounted for all land parcels available for sale, resulting in a significant increase.									
Non-current Assets Held-for-Sale:									
No assets were disposed off during the year. At yearend, movable assets were identified that should be disposed off and steps were taken to dispose of these assets after yearend.									
Receivables from Exchange Transactions:									
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. This provision includes all Indigent Debtors.									
Receivables from Non-exchange Transactions:									
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. This provision includes all Indigent Debtors.									
Cash and Cash Equivalents:									
Cash control and management by the Finance Department and all managers resulted in the significant increase. Management ensures that sufficient cash is available to cover all short term debt, as well as unspent conditional grants that may exist at yearend.									
Operating Lease Receivables:									
This movement represents an accounting entry, as required by GRAP 13: <i>Leases</i> , and was not budgeted for.									
Property, Plant and Equipment:									
WIP projects were completed and capitalised during the current financial year. The condition assessment of the Property, Plant and Equipment as had an impact increase.									
Intangible Assets:									
Due to the amortisation expense during the year. The financial systems used by the Municipality represents a significant portion of the balance and the amortisation expense was higher than expected.									
Investment Property:									
Due to the fair value adjustment, as Investment Property is carried at fair value, which was higher than expected.									
Non-current Investments:									
The Municipality has shares in OVK. These shares were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was 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.									
Consumer Deposits:									
No material fluctuation.									
Provisions:									
The short term portion of the Retirement Benefit Liability was significant less than budgeted for. The valuation of this obligation is done by actuaries as required by IAS 19: <i>Employee Benefits</i> .									
Payables:									
Creditors are paid within the legislative 30 day timeframe, which resulted in the immaterial fluctuation.									
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. The Municipality is also constructed the electricity line for the new hospital, which has not been finished and the unspent portion remains as unspent.									
VAT Payable:									
As the Municipality is on a the cash-basis for VAT purposes, no budget allocation was made for the levies made but not yet received. All VAT returns have been submitted and at yearend, SARS owed the Municipality refunds.									
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:									
Management is repaying the Long-term Liabilities quicker than anticipated. Management did not default on any loan payment and have controls in place to ensure these obligations are settled within the agreed period.									

EMTHANJENI LOCAL MUNICIPALITY

30 June 2013

00 June 2014

Description	2012/2013								
	Original Total Budget	Budget Adjustments	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	%	%
Retirement Benefit Liabilities: No material fluctuation.									
Non-current Provisions: An unexpected increase in the Provision for Landfill Sites resulted in the material fluctuation. The Municipality furthermore has an unbudgeted liability for Long Service Awards, as prescribed by the regulations.									
Reserves: The existence of the Reserves were inspected and found to be a prior period error. The necessary correction was made in the Annual Financial Statements and disclosed in Note 41.									
Accumulated Surplus / (Deficit): Due to the errors identified during the financial year and the retrospective adjustment thereof.									
Financial Performance: Explanation of Variances between Approved Budget and Actual For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:									
Property Rates - Penalties imposed and collection charges The Property Rates - Penalties is budgeted for with Interest Received. The current classification in the Annual Financial Statements is a GRAP requirement and has therefore been split as such.									
Fines The DPP withdrew the approval certificate for TVS to operate the speed cameras, resulting in the significant decrease in comparison to Management's expectations.									
Government Grants and Subsidies Received The conditions of the restricted conditional grants were met, resulting in the transfer thereof to revenue. This is supported by the increase in the Property, Plant and Equipment balance.									
Rental of Facilities and Equipment The Municipality is leasing a property to Mainstream for operational purposes. Although the lease has not been concluded, the company has occupied the property and has paid for the rental thereof.									
Interest Earned (all financial statement line items) Improved cash management and diversification of available cash. This is supported in the increase in the Cash and Cash Equivalents balance.									
Other Income: In the previous financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account (supported by the budgeted amount in the Receivables). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from prepaid electricity has been correctly classified.									
Other Gains on Continued Operations Due to the fair value adjustment made to Investment Property and Non-current Investments which were not anticipated and budgeted for.									
Gains on Disposal of Property, Plant and Equipment No assets were sold during the year (please see Non-current Assets-held-for-Sale).									
Collection Costs A contract was concluded with an supplier to recover outstanding debt. The amount was however budgeted for under Contracted Services.									
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.									
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 and was therefore written-off.									
Loss on Sale of Land The Municipality conducted a full land audit (please see the explanation included in the Inventory line item). During the year significant transfers occurred as part of the Housing Projects that resulted in the unforeseen loss.									
Inventory Written-off The amount written-off is immaterial and therefore management did not budget for it. This decrease in the loss from previous financial years is the result of better controls implemented at the stores.									
Capital Expenditure: Explanation of Variances between Approved Budget and Actual Management expected that more capital projects would be conducted and completed during the year (this is supported by the fluctuation identified in the Unspent Conditional Grants). Due to unforeseen circumstances, projects were not completed resulting in the significant decrease.									
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: Debt collection did not have the desired results, which resulted in the fluctuation. This is supported by the fluctuations identified in the Statement of Financial Performance and Position.									

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 2012 and 30 June 2013 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 if the following instances:

(a) is required by a Standard of GRAP; or

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

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:

1. 2. 1 *Revenue Recognition*

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

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and 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. The 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 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 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 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in 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 amounted to R6 731 726 and that of trade and other receivable from non exchange transactions to R859 056.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

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

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

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R126 604, 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 10.2 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 IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

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 5% (2012: 5.5%) 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 11.14% (2012: 11.3475%).

b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

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

1. 5 OFFSETTING

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

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005

GRAP 20 Related Party Disclosures (Revised)

GRAP 25 Employee Benefits - issued December 2009

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

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

GRAP 107 Mergers - issued November 2010

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

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

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:

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

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

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

Financial Instruments (GRAP 104 Financial Instruments - October 2009)

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region. Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

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

2. 1. 1 Capital replacement reserve (CRR)

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

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

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

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, including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

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

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

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited 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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise.

	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.

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 surplus or deficit when the item is derecognised.

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

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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.

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.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

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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 incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognised as an expense 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 ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for 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, its deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

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

	Years
<i>Intangible asset</i>	
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. 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.

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS (continued)

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.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

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

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

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:

- 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
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

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

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

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

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

The 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.

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 surplus or deficit.

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

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 as follows:

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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.

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.

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

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

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:

- 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.

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

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

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

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.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

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

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 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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (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:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) 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

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. .

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

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 borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

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 receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with 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. FINANCIAL INSTRUMENTS (continued)

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) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, 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.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress 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). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is 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 can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

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

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.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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.

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

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 electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

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.

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 licences 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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

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. 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. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 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 property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

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 fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 3 Defined Benefit Plans (continued)

13. 3. 3 *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 52 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

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

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

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.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

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 fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

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 for the financial year ending 30 June 2013 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.

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 Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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 37 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 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

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.

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 2013

24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 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.

25. 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 underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. 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.

27. 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 2013

28. 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 be 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 2013

	2013 R	2012 R	
1. GENERAL INFORMATION			
Emthanjeni Local Municipality (the municipality) is a local government institution in De Aar, Britstown and Hanover, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).			
2. INVENTORIES			
Consumables Store	468,203	352,077	
Property Stock	52,462,791	53,828,891	
Water - at cost	13,872	12,744	
Total Inventories	52,944,866	54,193,711	
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 R0.68 per kilolitre (2012: R0.61 per kilolitre).			
Inventory to the value of R39 905 (2012: R60 870) was written off during the year.			
No Inventories have been pledged as collateral for Liabilities of the municipality.			
3. NON-CURRENT ASSETS HELD-FOR-SALE			
Other Assets Held-for-Sale - at cost	71,732	-	
Total Non-current Assets Held-for-Sale	71,732	-	
Liabilities associated with Non-current Assets Held-for-Sale	-	-	
Net Non-current Assets Held-for-Sale	71,732	-	
3.1 Other Assets Held-for-Sale			
As described in Note 9, the municipality is seeking to dispose of certain other assets and anticipates that the disposal will be completed by 31 July 2013. The classes of assets classified as held-for-sale at the balance sheet date are as follows:			
Other Assets	71,732	-	
Net Other Assets classified as Held-for-Sale	71,732	-	
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	78,338,004	(33,051,986)	45,286,018
Electricity	16,920,490	(4,732,895)	12,187,594
Refuse	9,113,114	(3,947,264)	5,165,851
Sewerage	18,182,030	(7,464,719)	10,717,311
Water	34,122,370	(16,907,108)	17,215,262
Other Receivables	2,269,593	(952,015)	1,317,578
Other Consumer Services	2,269,593	(952,015)	1,317,578
Total Receivables from Exchange Transactions	80,607,597	(34,004,001)	46,603,596

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	63,864,336	(26,540,892)	37,323,444
Electricity	14,810,785	(4,314,978)	10,495,808
Refuse	7,213,350	(2,912,425)	4,300,924
Sewerage	14,651,556	(5,745,761)	8,905,796
Water	27,188,645	(13,567,728)	13,620,916
Other Receivables	1,768,790	(731,383)	1,037,407
Other Consumer Services	1,768,790	(731,383)	1,037,407
Total Receivables from Exchange Transactions	65,633,125	(27,272,274)	38,360,851

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

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.

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.

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.

At 30 June 2013, the municipality is owed R3 822 032 (30 June 2012: R1 598 761) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Electricity:					
Gross Balances	3,758,836	1,342,803	454,902	11,363,948	16,920,490
Less: Provision for Impairment	(284,866)	(364,522)	(138,644)	(3,944,863)	(4,732,895)
Net Balances	3,473,970	978,281	316,258	7,419,086	12,187,594
Refuse:					
Gross Balances	370,250	477,988	228,492	8,036,384	9,113,114
Less: Provision for Impairment	24,066	(94,847)	(60,576)	(3,815,906)	(3,947,264)
Net Balances	394,316	383,141	167,916	4,220,478	5,165,851
Sewerage:					
Gross Balances	668,246	826,990	395,024	16,291,771	18,182,030
Less: Provision for Impairment	36,633	(163,326)	(102,816)	(7,235,210)	(7,464,719)
Net Balances	704,879	663,663	292,208	9,056,560	10,717,311
Water:					
Gross Balances	1,788,497	1,543,845	807,154	29,982,875	34,122,370
Less: Provision for Impairment	(280,639)	(652,356)	(383,762)	(15,590,351)	(16,907,108)
Net Balances	1,507,857	891,489	423,392	14,392,524	17,215,262

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Other Receivables:

Gross Balances	88,901	104,292	49,231	2,027,169	2,269,593
Less: Provision for Impairment	(18,371)	(37,222)	(19,505)	(876,917)	(952,015)
Net Balances	70,530	67,071	29,725	1,150,252	1,317,578

As at 30 June Receivables of R40 452 044 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	4,295,918	1,934,802	67,702,147	73,932,867
Less: Provision for Impairment	(1,312,274)	(705,302)	(31,463,247)	(33,480,823)
Net Balances	2,983,644	1,229,499	36,238,900	40,452,044

As at 30 June 2012

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	3,082,446	944,747	696,396	10,087,196	14,810,785
Less: Provision for Impairment	(295,365)	(216,568)	(160,923)	(3,642,122)	(4,314,978)
Net Balances	2,787,081	728,179	535,473	6,445,075	10,495,808

Refuse:

Gross Balances	295,669	241,304	215,002	6,461,374	7,213,350
Less: Provision for Impairment	47,254	(49,420)	(50,193)	(2,860,066)	(2,912,425)
Net Balances	342,923	191,884	164,809	3,601,308	4,300,924

Sewerage:

Gross Balances	550,951	414,772	370,399	13,315,434	14,651,556
Less: Provision for Impairment	63,868	(82,939)	(83,440)	(5,643,249)	(5,745,761)
Net Balances	614,819	331,833	286,959	7,672,185	8,905,796

Water:

Gross Balances	1,682,103	787,926	702,827	24,015,788	27,188,645
Less: Provision for Impairment	(245,488)	(314,935)	(324,807)	(12,682,499)	(13,567,728)
Net Balances	1,436,616	472,991	378,021	11,333,289	13,620,916

Other Receivables:

Gross Balances	87,187	52,519	125,197	1,503,886	1,768,790
Less: Provision for Impairment	(19,961)	(19,800)	(19,939)	(671,684)	(731,383)
Net Balances	67,226	32,720	105,258	832,203	1,037,407

As at 30 June Receivables of R33 036 200 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	2,441,269	2,109,821	55,383,679	59,934,769
Less: Provision for Impairment	(683,662)	(639,301)	(25,499,619)	(26,822,582)
Net Balances	1,757,607	1,470,520	29,884,059	33,112,186

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)				
4.2 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 2013				
Current:				
0 - 30 days	5,158,272	1,209,461	647,015	-
Past Due:				
31 - 60 Days	1,891,540	269,188	149,903	-
61 - 90 Days	1,667,573	202,183	115,533	-
+ 90 Days	63,958,836	2,428,512	2,909,581	-
Sub-total	72,676,221	4,109,343	3,822,032	-
Less: Provision for Impairment	(32,912,959)	(1,091,041)	-	-
Total Trade Receivables by Customer Classification	39,763,262	3,018,302	3,822,032	-
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
Current:				
0 - 30 days	4,026,482	1,468,171	279,688	-
Past Due:				
31 - 60 Days	1,834,620	436,464	170,185	-
61 - 90 Days	1,660,779	362,456	86,587	-
+ 90 Days	50,556,581	3,684,893	1,062,324	3,895
Sub-total	58,078,462	5,951,983	1,598,784	3,895
Less: Provision for Impairment	(25,690,072)	(1,582,202)	-	-
Total Trade Receivables by Customer Classification	32,388,390	4,369,781	1,598,784	3,895
4.3 Reconciliation of the Provision for Impairment				
Balance at beginning of year			(27,272,274)	(44,207,615)
Impairment Losses recognised			(6,731,726)	-
Impairment Losses reversed			-	16,935,340
Balance at end of year			(34,004,000)	(27,272,274)

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 R 46 025 041 (2012: R33 036 200) 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 15), which are not covering the total outstanding debt.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
4.4 Ageing of impaired Receivables from Exchange Transactions		
<u>Current:</u>		
0 - 30 Days	523,178	449,692
<u>Past Due:</u>		
31 - 60 Days	1,312,274	683,662
61 - 90 Days	705,302	639,301
+ 90 Days	31,463,247	25,499,619
Total	34,004,001	27,272,274

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	12,419,723	(3,229,774)	9,189,948
Sundry Deposits	109,610	-	109,610
Sundry Debtors	751,990	-	751,990
Total Receivables from Non-exchange Transactions	13,281,323	(3,229,774)	10,051,549
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	8,689,198	(2,370,718)	6,318,480
Sundry Deposits	109,610	-	109,610
Sundry Debtors	1,360,673	-	1,360,673
Total Receivables from Non-exchange Transactions	10,159,481	(2,370,718)	7,788,763

Sundry Deposits are in respect of cash deposits amounting to R59 610 (2012: R59 610) made to fuel station for the supply of fuel and R50 000 (2012: R50 000) made to the S.A. Post Office for postal services.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

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.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	728,852	403,983	150,135	11,136,753	12,419,723
Less: Provision for Impairment	(74,144)	(126,149)	(45,827)	(2,983,654)	(3,229,774)
Net Balances	654,708	277,834	104,308	8,153,099	9,189,949
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	109,610	109,610
Sundry Debtors:					
Gross Balances	-	-	-	533,945	533,945
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	533,945	533,945

As at 30 June Receivables of R9 178 796 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	403,983	150,135	11,780,309	12,334,426
Less: Provision for Impairment	(126,149)	(45,827)	(2,983,654)	(3,155,630)
Net Balances	68,339	77,955	2,041,285	9,178,796

As at 30 June 2012

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	628,456	193,265	162,003	7,705,473	8,689,197
Less: Provision for Impairment	(74,855)	(54,007)	(49,907)	(2,191,948)	(2,370,717)
Net Balances	553,601	139,258	112,096	5,513,525	6,318,480
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	109,610
Sundry Debtors:					
Gross Balances	-	-	-	1,360,673	1,360,673
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	1,360,673

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R5 821 679 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	193,265	162,003	9,175,756	8,117,541
Less: Provision for Impairment	(54,007)	(49,907)	(2,191,948)	(2,295,862)
Net Balances	139,258	112,096	6,983,808	5,821,679

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	654,345	54,089	20,418	-
<u>Past Due:</u>				
31 - 60 Days	206,822	6,885	20,931	-
61 - 90 Days	144,706	4,659	19,979	-
+ 90 Days	10,345,453	415,394	526,041	-
Sub-total	11,351,327	481,026	587,369	-
Less: Provision for Impairment	(3,144,454)	(85,321)	-	-
Total Rates Debtors by Customer Classification	8,206,874	395,706	587,369	-

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	565,226	59,576	3,654	-
<u>Past Due:</u>				
31 - 60 Days	184,373	5,239	3,652	-
61 - 90 Days	153,118	5,233	3,652	-
+ 90 Days	7,110,987	388,078	206,409	-
Sub-total	8,013,704	458,126	217,367	-
Less: Provision for Impairment	(2,295,606)	(75,112)	-	-
Total Rates Debtors by Customer Classification	5,718,098	383,014	217,367	-

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(2,370,718)	(668,180)
Impairment Losses recognised	(859,056)	(1,702,538)
Balance at end of year	(3,229,774)	(2,370,718)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
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 respectively.		
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 terms.		
6. VAT RECEIVABLE		
VAT Receivable	-	-
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
7. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	17,196,489	14,379,346
Bank Overdraft	(6,498,375)	(5,154,118)
Total Bank, Cash and Cash Equivalents	10,698,114	9,225,228
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.		
7.1 Current Investment Deposits		
Call Deposits	7,098,439	8,062,686
Notice Deposits	9,927,906	6,284,366
Total Current Investment Deposits	17,026,345	14,347,052
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5,75 % (2012: 5% to 7,50%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,54 % to 5,68 % (2012: 5,40 % to 6,53 %)per annum.		
Deposits attributable to Unspent Conditional Grants	12,541,448	11,954,427
Total Deposits attributable to Commitments of the Municipality	12,541,448	11,954,427
7.2 Bank Accounts		
Cash in Bank	168,744	31,134
Bank Overdraft	(6,498,375)	(5,154,118)
Total Bank Accounts	(6,329,631)	(5,122,984)
The Municipality has the following bank accounts:		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	-5,154,118	-4,020,092
Cash book balance at end of year	-6,498,375	-5,154,118
Bank statement balance at beginning of year	4,271,207	176,498
Bank statement balance at end of year	3,897,789	4,271,207

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	2,216	870
Cash book balance at end of year	<u>41,694</u>	<u>2,216</u>
Bank statement balance at beginning of year	2,216	1,061
Bank statement balance at end of year	<u>41,494</u>	<u>2,216</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	28,918	59,343
Cash book balance at end of year	<u>127,050</u>	<u>28,918</u>
Bank statement balance at beginning of year	28,918	59,343
Bank statement balance at end of year	<u>127,050</u>	<u>28,918</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 052 997 314</i>		
Cash book balance at beginning of year	7,784	7,784
Cash book balance at end of year	<u>-</u>	<u>7,784</u>
Bank statement balance at beginning of year	7,784	7,784
Bank statement balance at end of year	<u>-</u>	<u>7,784</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 817</i>		
Cash book balance at beginning of year	-	2,607,670
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	2,607,670
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	6,070,801	6,070,801
Cash book balance at end of year	<u>9,925,304</u>	<u>6,070,801</u>
Bank statement balance at beginning of year	6,070,801	6,070,801
Bank statement balance at end of year	<u>9,925,304</u>	<u>6,070,801</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 199 059</i>		
Cash book balance at beginning of year	203,339	203,339
Cash book balance at end of year	<u>-</u>	<u>203,339</u>
Bank statement balance at beginning of year	203,339	203,339
Bank statement balance at end of year	<u>-</u>	<u>203,339</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	2,442	2,364
Cash book balance at end of year	<u>2,602</u>	<u>2,442</u>
Bank statement balance at beginning of year	2,442	2,364
Bank statement balance at end of year	<u>2,602</u>	<u>2,442</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212</i>		
Cash book balance at beginning of year	1,014	1,024
Cash book balance at end of year	<u>1,063</u>	<u>1,014</u>
Bank statement balance at beginning of year	1,014	1,024
Bank statement balance at end of year	<u>1,063</u>	<u>1,014</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440</i>		
Cash book balance at beginning of year	10,237	9,875
Cash book balance at end of year	<u>10,444</u>	<u>10,237</u>
Bank statement balance at beginning of year	10,237	9,875
Bank statement balance at end of year	<u>10,444</u>	<u>10,237</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Call Account Number 9 187 848 328		
Cash book balance at beginning of year	1,000	1,089
Cash book balance at end of year	<u>-</u>	<u>1,000</u>
Bank statement balance at beginning of year	1,000	1,089
Bank statement balance at end of year	<u>-</u>	<u>1,000</u>
ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 814 279		
Cash book balance at beginning of year	54,859	53,342
Cash book balance at end of year	<u>-</u>	<u>54,859</u>
Bank statement balance at beginning of year	54,859	53,342
Bank statement balance at end of year	<u>-</u>	<u>54,859</u>
ABSA Bank Limited - De Aar Branch - Call Account Number 9 207 882 270		
Cash book balance at beginning of year	1,002	1,021
Cash book balance at end of year	<u>-</u>	<u>1,002</u>
Bank statement balance at beginning of year	1,002	1,021
Bank statement balance at end of year	<u>-</u>	<u>1,002</u>
ABSA Bank Limited - De Aar Branch - Call Account Number 9 223 682 147		
Cash book balance at beginning of year	1,000	135,856
Cash book balance at end of year	<u>-</u>	<u>1,000</u>
Bank statement balance at beginning of year	1,000	135,856
Bank statement balance at end of year	<u>-</u>	<u>1,000</u>
ABSA Bank Limited - De Aar Branch - Call Account Number 9 228 175 838		
Cash book balance at beginning of year	1,007	2,772
Cash book balance at end of year	<u>-</u>	<u>1,007</u>
Bank statement balance at beginning of year	1,007	2,772
Bank statement balance at end of year	<u>-</u>	<u>1,007</u>
Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001		
Cash book balance at beginning of year	2,607,670	2,308
Cash book balance at end of year	<u>5,943</u>	<u>2,607,670</u>
Bank statement balance at beginning of year	2,673,620	2,308
Bank statement balance at end of year	<u>5,943</u>	<u>2,673,620</u>
First National Bank - De Aar Branch - Call Account Number 62338612105 / 808		
Cash book balance at beginning of year	96,720	-
Cash book balance at end of year	<u>2,523</u>	<u>96,720</u>
Bank statement balance at beginning of year	96,720	-
Bank statement balance at end of year	<u>2,523</u>	<u>96,720</u>
Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001		
Cash book balance at beginning of year	5,222,226	-
Cash book balance at end of year	<u>6,521,164</u>	<u>5,222,226</u>
Bank statement balance at beginning of year	5,222,226	-
Bank statement balance at end of year	<u>6,521,164</u>	<u>5,222,226</u>
Standard Bank of SA Limited - De Aar Branch - Call Account Number 38 891 0356 002		
Cash book balance at beginning of year	65,950	-
Cash book balance at end of year	<u>557,303</u>	<u>65,950</u>
Bank statement balance at beginning of year	65,950	-
Bank statement balance at end of year	<u>557,303</u>	<u>65,950</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.		
7.3 Cash and Cash Equivalents		
Cash Floats and Advances	1,400	1,160
Total Cash on hand in Cash Floats, Advances and Equivalents	1,400	1,160

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

8. 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	199,554	243,733
Operating Lease Revenue recorded	(78,931)	(44,179)
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	120,623	199,554
Less: Amounts due for settlement within 12 months (Current Portion)	(25,602)	(78,931)
Operating Lease Assets due for settlement after 12 months (Non-current Portion)	95,021	120,623

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 5 to 11 (2012: 5 to 11) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 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	25,602	78,931
2 to 5 years	73,814	82,790
More than 5 years	21,208	37,832
Total Operating Lease Arrangements	120,623	199,554

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R78 931 (2012: decrease of R44 179) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	402,351	491,192
Repairs and Maintenance	-	-

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2012	172,956,248	833,120,224	935,802	5,777,861	6,437,276	6,897,187	55,250	1,026,179,848
Cost	281,372,108	1,847,598,194	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,157,191,457
- Completed Assets	280,666,111	1,826,352,407	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,135,239,674
- Under Construction	705,997	21,245,787	-	-	-	-	-	21,951,784
Accumulated Impairment Losses	(1,765,894)	-	(868)	(14,371)	(1,870)	(68,088)	-	(1,851,091)
Accumulated Depreciation	(106,649,966)	(1,014,477,970)	(991,693)	(2,396,898)	(2,906,340)	(1,606,361)	(131,291)	(1,129,160,519)
Acquisitions	557,224	400,840	319,874	165,532	195,184	280,000	-	1,918,655
Capital under Construction - Additions	502,408	11,337,340	-	-	-	-	-	11,839,748
Depreciation	(10,728,973)	(53,384,597)	(648,988)	(1,298,219)	(1,303,751)	(972,666)	-	(68,337,194)
Carrying value of Disposals:	-	-	(11,746)	(62,446)	(12,038)	-	(55,250)	(141,480)
- Cost	-	-	(22,583)	(113,572)	(35,638)	-	(186,541)	(358,334)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	10,837	51,126	23,601	-	131,291	216,854
Carrying value of Transfers to Held-for-Sale:	-	-	(2,871)	(29,137)	(9,511)	(30,213)	-	(71,732)
- Cost	-	-	(37,942)	(103,379)	(59,040)	(54,101)	-	(254,462)
- Accumulated Depreciation	-	-	31,383	68,747	49,529	23,888	-	173,547
- Accumulated Impairment Losses	-	-	3,688	5,494	-	-	-	9,183
Impairment Losses	-	-	(5,569)	(11,160)	(3,880)	(105,995)	-	(126,604)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
- Completed Assets	-	-	-	-	-	-	-	-
- Under Construction	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	163,286,906	791,473,807	586,502	4,542,430	5,303,281	6,068,313	-	971,261,240
Cost	282,431,740	1,859,336,374	2,187,712	8,137,711	9,445,992	8,797,535	-	2,170,337,064
- Completed Assets	281,223,335	1,826,753,248	2,187,712	8,137,711	9,445,992	8,797,535	-	2,136,545,533
- Under Construction	1,208,405	32,583,127	-	-	-	-	-	33,791,532
Accumulated Impairment Losses	(1,765,894)	-	(2,748)	(20,037)	(5,750)	(174,083)	-	(1,968,512)
Accumulated Depreciation	(117,378,939)	(1,067,862,567)	(1,598,462)	(3,575,244)	(4,136,961)	(2,555,139)	-	(1,197,107,312)

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2011	184,059,627	871,798,397	1,288,553	3,167,043	7,536,837	7,204,915	78,512	1,075,133,884
Cost	281,312,163	1,833,275,756	1,877,473	4,513,098	9,092,638	7,887,868	186,541	2,138,145,536
- Completed Assets	280,606,166	1,826,041,694	1,877,473	4,513,098	9,092,638	7,887,868	186,541	2,130,205,478
- Under Construction	705,997	7,234,062	-	-	-	-	-	7,940,059
Accumulated Impairment Losses	(1,765,894)	-	-	-	-	-	-	(1,765,894)
Accumulated Depreciation	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,758)
Acquisitions	59,945	310,713	197,378	3,704,976	302,709	683,768	-	5,259,490
Capital under Construction - Additions	-	14,011,725	-	-	-	-	-	14,011,725
Depreciation	(11,163,324)	(53,000,612)	(529,898)	(1,070,332)	(1,383,079)	(923,408)	(23,262)	(68,093,915)
Carrying value of Disposals:	-	-	(19,363)	(9,456)	(17,321)	-	-	(46,140)
- Cost	-	-	(146,488)	(28,945)	(49,861)	-	-	(225,294)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	127,125	19,489	32,540	-	-	179,154
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	(868)	(14,371)	(1,870)	(68,088)	-	(85,197)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
- Completed Assets	-	-	-	-	-	-	-	-
- Under Construction	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	172,956,248	833,120,224	935,802	5,777,861	6,437,276	6,897,187	55,250	1,026,179,848
Cost	281,372,108	1,847,598,194	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,157,191,457
- Completed Assets	280,666,111	1,826,352,407	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,135,239,674
- Under Construction	705,997	21,245,787	-	-	-	-	-	21,951,784
Accumulated Impairment Losses	(1,765,894)	-	(868)	(14,371)	(1,870)	(68,088)	-	(1,851,091)
Accumulated Depreciation	(106,649,966)	(1,014,477,970)	(991,693)	(2,396,898)	(2,906,340)	(1,606,361)	(131,291)	(1,129,160,519)

The leased Property, Plant and Equipment is secured as set out in Note 21.

Refer to Appendices "B, C and E (2)" 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 2013

2013
R

2012
R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 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.

9.2 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 21) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

9.3 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R126 406 (2012: R85 196) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.

Other Assets: Furniture and Fittings	11,160	14,371
Other Assets: Motor Vehicles	105,995	68,087
Other Assets: Office Equipment	3,880	1,870
Other Assets: Computer Equipment	5,569	868
Total Impairment of Property, Plant and Equipment	126,604	85,196

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

9.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	-	1,466
Finance and Administration	-	19,807
Planning and Development	-	10,012
Health	-	659
Community and Social Services	-	21,254
Housing	-	72,741
Waste Management	-	56,682
Roads and Transport	-	7,288
Water	-	6,769
Electricity	-	7,105
Total Change in Estimate for Useful Life of Property, Plant and Equipment	-	203,783

The change in estimates will result in an increase of R0 (R203 783) in the depreciation expense for the municipality over the next three financial years.

9.5 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>538,049</u>	<u>1,062,346</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)
Acquisitions:	63,909	63,909
Purchased	63,909	63,909
Amortisation:	(588,205)	(588,205)
Purchased	(588,205)	(588,205)
Carrying values at 30 June 2013	538,049	538,049
Cost	1,884,661	1,884,661
Accumulated Amortisation	(1,346,611)	(1,346,611)
	Computer Software	Total
Carrying values at 01 July 2011	1,611,012	1,611,012
Cost	1,795,143	1,795,143
Accumulated Amortisation	(184,131)	(184,131)
Acquisitions:	25,609	25,609
Purchased	25,609	25,609
Amortisation:	(574,275)	(574,275)
Purchased	(574,275)	(574,275)
Carrying values at 30 June 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

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.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 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 R425 000 (2012: R925 000).

10.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
11. INVESTMENT PROPERTY		
At Fair Value	<u>5,004,000</u>	<u>3,100,000</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	3,100,000	3,434,100
Fair Value	<u>3,100,000</u>	<u>3,434,100</u>
Acquisitions during the Year	-	-
Disposals during the Year	-	(334,100)
Net Gains / (Losses) from Fair Value Adjustments	1,904,000	-
Impairment Losses during the Year	-	-
Carrying values at 30 June	5,004,000	3,100,000
Fair Value	<u>5,004,000</u>	<u>3,100,000</u>
Estimated Fair Value of Investment Property at 30 June	<u>5,004,000</u>	<u>3,100,000</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-
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.		
11.1 Investment Property carried at Fair Value		
The municipality's Investment Property was valued at 30 June 2013 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%	6.74%
Other		
11.2 Impairment of Investment Property		
No impairment losses have been recognised on Investment Property of the municipality at the reporting date.		

12. HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u>-</u>	<u>-</u>
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The municipality, has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain heritage assets are currently being recognised as Property, Plant and Equipment.

No restrictions apply to any of the Heritage Assets of the municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
13. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	13,980	10,940
Total Investments		
All Investments	13,980	10,940
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	13,980	10,940
Market valuation of Listed Investments		
Listed Shares	13,980	10,940

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

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.

14. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164

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.

14.1 Ageing of Long-term Receivables

Current:

0 - 30 days	-	-
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Past Due:

31 - 60 Days	-	-
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61 - 90 Days	-	-
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91 - 120 Days	-	-
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+ 120 Days	1,164	1,164
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Total	1,164	1,164
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EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
14. LONG-TERM RECEIVABLES (continued)		
In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, 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.		
15. CONSUMER DEPOSITS		
Electricity and Water	1,825,041	1,781,959
Total Consumer Deposits	<u><u>1,825,041</u></u>	<u><u>1,781,959</u></u>
Guarantees held in lieu of Electricity and Water Deposits	<u><u>-</u></u>	<u><u>-</u></u>
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.		
16. PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 22)	882,492	778,080
Total Provisions	<u><u>882,492</u></u>	<u><u>778,080</u></u>
The movement in provisions are reconciled as follows:		
	Post-retirement R	Post-retirement R
Balance at beginning of year	778,080	874,536
Transfer from non-current	-	-
Contributions to provision	104,412	(96,456)
Expenditure incurred	-	-
Reduction due to re-measurement	-	-
Balance at end of year	<u><u>882,492</u></u>	<u><u>778,080</u></u>
17. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	1,327,643	3,059,835
Payments Received In Advance	738,817	1,257,371
Staff Bonuses	1,648,427	1,174,230
Staff Leave Accrued	3,816,770	3,973,404
Sundry Deposits	212,059	199,745
Other Creditors	2,275,943	2,008,536
Total Payables	<u><u>10,019,658</u></u>	<u><u>11,673,121</u></u>

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

17. PAYABLES FROM EXCHANGE TRANSACTIONS (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

18. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	844,342	1,092,970
Other Creditors	-	-
Total Payables	844,342	1,092,970

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 not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

19. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

19.1 Conditional Grants from Government

	12,541,448	11,954,427
National Government Grants	6,286,955	4,768,432
Provincial Government Grants	6,215,305	7,146,807
Other Spheres of Government	39,188	39,188
Total Conditional Grants and Receipts	12,541,448	11,954,427

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

During July 2013 (2013/2014), R1 501 000 was withheld from the 2013/2014 Equitable Share allocation as repayment for the unspent MIG at 30 June 2013. This relates to the 2012 unspent portion. National Treasury approved R1 400 000 for roll-over and recovered the remaining balance through the Equitable Share allocation that was withheld.

As disclosed in Note 26, the unspent MIG amounted to R6 053 160 at 30 June 2013. This balance is before the above offsetting against the Equitable Share is taken into account, which means that the outstanding balance in respect to the 2013 financial year amounted to R4 552 160 at the issue date of the these Financial Statements.

Refer to Appendix "F" for more detail on Conditional Grants.

20. VAT PAYABLE

VAT Payable	4,223,247	2,366,885
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to 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 2013

	2013 R	2012 R
21. LONG-TERM LIABILITIES		
Annuity Loans	8,492,623	10,743,580
Finance Lease Liabilities	-	23,604
Sub-total	<u>8,492,623</u>	<u>10,767,184</u>
Less: Current Portion transferred to Current Liabilities:-	(2,484,682)	(2,256,675)
Annuity Loans	<u>(2,484,682)</u>	<u>(2,233,071)</u>
Finance Lease Liabilities	<u>-</u>	<u>(23,604)</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>6,007,941</u></u>	<u><u>8,510,509</u></u>

21.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2012: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2012: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 10.00% and 11.00% (2012: 10.00% and 11.00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

21.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 10.00% and 11.00% (2012: 10.00% and 11.00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	-	23,738	-	23,604
In the second to fifth years, inclusive	-	-	-	-
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	23,738	-	23,604
Less: Future Finance Obligations	-	(155)	-	-
Present Value of Minimum Lease Obligations	<u><u>-</u></u>	<u><u>23,583</u></u>	<u><u>-</u></u>	<u><u>23,604</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			-	(23,604)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>-</u></u>	<u><u>-</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21. LONG-TERM LIABILITIES (continued)		
Included in these classes are the following significant leases:		
(i) IT Equipment		
- Instalments are payable quarterly in advance		
- Average period outstanding	0 months	0 months
- Average effective interest rate	10.00%	10.00%
- Average quarterly instalment	R 2,637.60	R 2,637.60

21.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

22. RETIREMENT BENEFIT LIABILITIES

22.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	25,908,685	26,598,730
Contributions to Provision	1,282,656	1,091,123
Increase due to Discounting	2,017,069	2,263,243
Benefits Paid	(778,080)	(874,536)
Actuarial (Gains) /Losses	1,290,824	(3,169,875)
Balance at end of Year	29,721,154	25,908,685
Transfer to Current Provisions	(882,492)	(778,080)
Total Post-retirement Health Care Benefits Liability	28,838,662	25,130,605

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	53	48
In-service Non-members (Employees)	249	253
Continuation Members (Retirees, widowers and orphans)	29	28
Total Members	331	329

The liability in respect of past service has been estimated as follows:

In-service Members	17,336,007	15,073,968
Continuation Members	12,385,147	10,834,717
Total Liability	29,721,154	25,908,685

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R		
22. RETIREMENT BENEFIT LIABILITIES (continued)				
The Current-service Cost for the year ending 30 June 2013 is estimated to be R1 466 239, whereas the cost for the ensuing year is estimated to be R1 282 656 (2012: R1 091 123 and R1 282 656 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	8.83%	7.90%		
Health Care Cost Inflation Rate	7.65%	6.97%		
Net Effective Discount Rate	1.10%	0.87%		
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	25,908,685	26,598,730		
Current service costs	1,282,656	1,091,123		
Interest cost	2,017,069	2,263,243		
Benefits paid	(778,080)	(874,536)		
Actuarial losses / (gains)	1,290,824	(3,169,875)		
Present Value of Fund Obligation at the end of the Year	29,721,154	25,908,685		
Actuarial losses / (gains) unrecognised	-	-		
Total Recognised Benefit Liability	29,721,154	25,908,685		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	29,721,154	25,908,685		
Unfunded Accrued Liability	29,721,154	25,908,685		
Unrecognised Actuarial Gains / (Losses)	-	-		
Total Benefit Liability	29,721,154	25,908,685		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	1,282,656	1,091,123		
Interest cost	2,017,069	2,263,243		
Benefits paid	(778,080)	(874,536)		
Actuarial losses / (gains)	1,290,824	(3,169,875)		
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	3,812,469	(690,045)		
The history of experienced adjustments is as follows:				
	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	29,721,154	25,908,685	26,598,730	21,403,686
Deficit	29,721,154	25,908,685	26,598,730	21,403,686
Experienced adjustments on Plan Liabilities	28,430,330	29,078,560	-	-
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.				
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost		3,940,700	3,965,000	
Effect on the defined benefit obligation		34,607,000	30,145,000	
Decrease:				
Effect on the aggregate of the current service cost and the interest cost		2,790,400	2,865,100	
Effect on the defined benefit obligation		25,768,000	22,466,000	
The municipality expects to make a contribution of R1 466 239 (2012: R1 282 656) to the Defined Benefit Plans during the next financial year.				

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
22. RETIREMENT BENEFIT LIABILITIES (continued)		
Refer to Note 52, "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 administered.		
23. NON-CURRENT PROVISIONS		
Provision for Long Service Awards	2,933,312	2,606,021
Provision for Rehabilitation of Land-fill Sites	5,971,053	2,467,105
Total Non-current Provisions	8,904,365	5,073,126

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2013		
Balance at beginning of year	2,606,021	2,467,105
Contributions to provision	327,291	3,503,948
Increase due to discounting	-	-
	2,933,312	5,971,053
Transfer to current provisions	-	-
Balance at end of year	2,933,312	5,971,053
	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	2,307,237	2,412,280
Contributions to provision	298,784	-
Increase due to discounting	-	54,825
	2,606,021	2,467,105
Transfer to current provisions	-	-
Balance at end of year	2,606,021	2,467,105

23.1 Long Service Awards

In accordance with South African Local Government Bargaining Council (SALBGC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 10 years	3%	10 days
> 15 years	4%	10 days
> 20 years	5%	15 days
> 25 years	6%	15 days
> 30 years	6%	15 days
> 35 years	6%	15 days

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 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, 299 (2012: 295) employees were eligible for Long-service Awards.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23. NON-CURRENT PROVISIONS (continued)		
The Current-service Cost for the year ending 30 June 2013 is estimated to be R322 808 (2012: R286 199), whereas the cost for the ensuing year is estimated to be R421 885 (2012: R322 808).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.08%	6.32%
Cost Inflation Rate	6.70%	5.98%
Net Effective Discount Rate	0.35%	0.32%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2,606,021	2,307,237
Current service costs	322,808	286,199
Interest cost	157,132	164,298
Benefits paid	(239,250)	(323,311)
Actuarial losses / (gains)	86,601	171,598
Present Value of Fund Obligation at the end of the Year	2,933,312	2,606,021
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	2,933,312	2,606,021
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,933,312	2,606,021
Unfunded Accrued Liability	2,933,312	2,606,021
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	2,933,312	2,606,021
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	322,808	286,199
Interest cost	157,132	164,298
Benefits paid	(239,250)	(323,311)
Actuarial losses / (gains)	86,601	171,598
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	327,291	298,784

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

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	509,600	476,590
Effect on the defined benefit obligation	3,109,000	2,768,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	453,200	426,962
Effect on the defined benefit obligation	2,773,000	2,458,000

The municipality expects to make a contribution of R421 885 (2012: R322 808) to the Defined Benefit Plans during the next financial year.

23.2 Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R5 919 130 (2012: R2 467 105) to restore the site at the end of its useful life, estimated to be in 2042. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

Management has included the best estimated amount at year end, but the actual amount is uncertain. This estimation is based on the assumption that the restoration will have to occur in 2042.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
24. 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	1,018,484,242	1,067,251,259
Total Accumulated Surplus	<u>1,020,737,035</u>	<u>1,069,504,052</u>

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.

25. PROPERTY RATES

	Property Valuations		Actual Levies	
	June 2013 R000's	June 2012 R000's		
Agricultural	1,172,727,179	1,172,727,179	17,028,064	16,019,889
Commercial	177,013,456	177,013,456	2,463,720	2,317,851
Municipal	99,038,593	99,038,593	221,847	208,712
State	797,198,115	797,198,115	1,435,564	1,350,569
Residential	26,589,449	26,589,449	11,467,117	10,788,187
Rebates			(15,396,177)	(16,348,013)
Total Property Rates	<u>2,272,566,792</u>	<u>2,272,566,792</u>	<u>17,220,134</u>	<u>14,337,195</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008. A general valuation has been performed during the financial year and will be applied with effect 1 July 2013.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Agricultural Properties: 0.003664 c/R (2011/12: 0.002274 c/R)

Residential Properties: 0.014657 c/R (2011/12: 0.013827 c/R)

Business Properties: 0.014726 c/R (2011/12: 0.013827 c/R)

Government Properties: 0.014795 c/R (2011/12: 0.013827 c/R)

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	34,322,000	30,439,000
Operational Grants	34,322,000	30,439,000
Conditional Grants	20,639,467	13,448,413
National Government: Finance Management Grant	1,500,000	1,450,000
National Government: MIG	11,450,977	9,094,009
National Government: MSIG	800,000	790,000
Provincial Government: DWAF	-	141,410
National Government: DME	-	260,000
Provincial Government: DWAF (EU funding)	-	330,736
Provincial Government: DWAF (ACIP)	843,201	281,272
Provincial Government: Department of Housing	1,190,227	218,056
Provincial Government: Department of Sports, Arts and Culture	-	-
Provincial Government: Department of Sports, Arts and Culture	682,000	690,000
Provincial Government: Department of Transport	261,359	-
Provincial Government: Department of Public Works	766,204	-
Provincial Government: Department of Health	3,145,499	192,930
Local Government: District Municipality	-	-
Other Government: DBSA	-	-
Other Government: Other	-	-
Total Government Grants and Subsidies	54,961,467	43,887,413
Operational Grants:		
26.1 National: Equitable Share	34,322,000	30,439,000
<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 R130, 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 free every month. No funds were withheld.</p>		
Conditional Grants:		
26.2 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	1,450,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,500,000)	(1,450,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	-	-
<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. 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 been withheld.</p>		
26.3 National: MIG Funds		
Balance unspent at beginning of year	4,768,432	2,007,602
Repayment of funds	(1,829,000)	(178,000)
Current year receipts	16,141,000	13,306,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(11,450,977)	(9,094,009)
Conditions met - transferred to Revenue: Own Revenue	(1,576,296)	(1,273,161)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	6,053,160	4,768,432

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<p>The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.</p> <p>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 yearend.</p>		
26.4 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	800,000	790,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(800,000)	(790,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>
<p>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.</p>		
26.5 Provincial: Department Water and Forests (DWAF)		
Balance unspent at beginning of year	-	-
Current year receipts	-	141,410
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(141,410)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>
<p>This grant was used to cover the cost relating to the water testing. All conditions attached to the grant were met. No funds have been withheld.</p>		
26.6 Provincial: Department of Housing		
Balance unspent at beginning of year	-	-
Current year receipts	5,824,807	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5,403,169)	(20,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	20,000
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>421,638</u>	<u>-</u>
<p>This grant was allocated for eradication of the housing backlog that may exist in the Municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.</p>		
26.7 Provincial: Housing Accreditation		
Balance unspent at beginning of year	-	-
Current year receipts	1,190,227	218,056
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,190,227)	(218,056)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>
<p>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.</p>		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.8 Provincial: Department of Public Works		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(766,204)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>233,796</u>	<u>-</u>

This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld.

26.9 Provincial: Department of Sports, Arts and Culture

Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<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.

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 yearend.

26.10 Provincial: Department of Sports, Arts and Culture

Balance unspent at beginning of year	-	-
Current year receipts	682,000	690,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(682,000)	(690,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was allocated for the upgrading of library equipment and operating expenses. All conditions attached to the grant were met. No funds have been withheld.

26.11 Provincial: Department of Health

Balance unspent at beginning of year	6,996,807	-
Current year receipts	-	7,189,737
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3,145,499)	(192,930)
Conditions met - transferred to Revenue: Own Revenue	(440,370)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	<u>3,410,938</u>	<u>6,996,807</u>

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 yearend.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.12 Provincial: DME Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	260,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(260,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	-	-

The DME allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

26.13 Provincial: Hydroponic Houses

Balance unspent at beginning of year	-	128,600
Repayment of unused funds	-	(128,600)
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	-	-

The grant was received for the repair of the Hydroponic Vetgable Houses. All conditions attached to the grant were met. No funds have been withheld.

26.14 Provincial: Department of Transport

Balance unspent at beginning of year	-	-
Current year receipts	2,500,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(261,359)	-
Conditions met - transferred to Revenue: Own Revenue	(5,911)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	2,232,729	-

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.

26.15 Provincial: Department Water and Forests (EU funding)

Balance unspent at beginning of year	-	-
Current year receipts	-	330,736
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(330,736)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	-	-

This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.16 Provincial: Department Water and Forests (ACIP)		
Balance unspent at beginning of year	-	-
Current year receipts	950,518	281,272
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(843,201)	(281,272)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: Own Revenue	(107,317)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>(0)</u>	<u>-</u>

This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.

26.17 Other Government: Other

Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	<u>39,188</u>	<u>39,188</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

26.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

27. SERVICE CHARGES

Sale of Electricity	48,278,960	45,757,216
Sale of Water	16,433,534	15,574,187
Refuse Removal	5,322,955	4,946,593
Sewerage and Sanitation Charges	9,420,520	8,796,668
Other Service Charges	428,178	466,106
Total Service Charges	<u>79,884,146</u>	<u>75,540,769</u>

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	912,015	561,034
Rental Revenue from Land	5,265	1,693
Rental Revenue from Other Facilities	29,609	24,374
Total Rental of Facilities and Equipment	<u>946,889</u>	<u>587,101</u>

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 2013

	2013 R	2012 R
29. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	102,997	223,361
	<u>102,997</u>	<u>223,361</u>
External Investments:		
Bank Account	168,984	45,715
Investments	1,425,946	539,321
Other Deposits	-	8
	<u>1,594,930</u>	<u>585,044</u>
Outstanding Debtors:		
Outstanding Billing Debtors	493,738	1,115,696
	<u>493,738</u>	<u>1,115,696</u>
Total Interest Earned	<u>2,191,665</u>	<u>1,924,101</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
At Amortised Cost	2,191,665	1,924,101
	<u>2,191,665</u>	<u>1,924,101</u>

Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 40.

30. OTHER REVENUE

Building Plan Fees	39,961	31,244
Grave Fees	216,767	227,622
Sundries Levies	326,846	3,511,711
Own Income - VAT	2,129,894	1,292,959
Bad Debts Recovered	1,158,000	-
Reconnection Fees	242,949	175,872
Insurance Received	-	201,458
Other Non-material Income	126,711	122,527
Total Other Revenue	<u>4,241,129</u>	<u>5,563,393</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 25 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
31. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	38,461,100	33,729,756
Basic Salaries and Wages	34,274,065	31,513,109
Long Service Bonuses	97,320	-
Leave Encashed	971,017	(7,617)
Service Bonuses	3,118,699	2,224,264
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8,889,727	8,052,590
Group Life	60,193	66,144
Medical	1,890,632	1,745,114
Pension	6,093,777	5,541,018
Industrial Council Levy	23,764	19,352
Skills Development Levy	477,750	378,174
UIF	343,611	302,788
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,325,113	1,986,716
Allowances	2,286,586	1,986,716
Pensioners Allowances	38,526	-
Housing Benefits and Allowances	130,410	109,463
Overtime Payments	2,111,266	2,187,656
Performance Bonuses	382,270	-
Defined Benefit Plan Expense:	3,812,469	(690,045)
Current Service Cost	504,576	216,587
Interest Cost	2,017,069	2,263,243
Net Actuarial (gains)/losses recognised	1,290,824	(3,169,875)
Long-service Award Liability Expense:	327,291	298,784
Current Service Cost	322,808	286,199
Interest Cost	157,132	164,298
Benefit Vesting	(239,250)	(323,311)
Net Actuarial (gains)/losses recognised	86,601	171,598
Total Employee Related Costs	56,439,645	45,674,920
No advances were made to employees.		
Included in Employee Related Costs is an amount of R6 093 777 (2012: R5 541 018) 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	764,134	505,349
Performance Bonus	134,211	91,015
Car and Other Allowances	284,278	327,463
Company Contributions to UIF, Medical and Pension Funds	84,638	76,443
Total	1,267,262	1,000,270
Remuneration of the Chief Financial Officer		
Annual Remuneration	767,116	554,154
Performance Bonus	172,575	84,222
Car and Other Allowances	244,814	189,819
Company Contributions to UIF, Medical and Pension Funds	102,216	94,029
Total	1,286,720	922,224
Remuneration of the Director: Corporate, Community and Development Services		
Annual Remuneration	428,915	351,173
Performance Bonus	91,132	-
Car and Other Allowances	140,446	75,369
Company Contributions to UIF, Medical and Pension Funds	119,842	93,742
Total	780,335	520,284
Remuneration of the Director: Infrastructure and Housing Services		
Annual Remuneration	726,247	566,408
Performance Bonus	94,418	80,595
Car and Other Allowances	133,842	133,695
Company Contributions to UIF, Medical and Pension Funds	113,402	103,501
Total	1,067,910	884,199

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
32. REMUNERATION OF COUNCILLORS		
Mayor	627,956	591,626
Speaker	509,803	482,284
Councillors	1,832,904	2,209,120
Other Allowances (Cellular Phones, Housing, Transport, etc)	722,918	138,216
Total Councillors' Remuneration	3,693,580	3,421,246
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor and Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	68,337,194	68,076,907
Amortisation: Intangible Assets	588,205	591,283
Total Depreciation and Amortisation	68,925,399	68,668,190
34. IMPAIRMENT LOSSES		
<i>34.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	126,604	85,195
Property, Plant and Equipment	126,604	85,195
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
	126,604	85,195
<i>34.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	6,746,156	16,886,024
Consumer Debtors	6,746,156	16,886,024
Impairment Losses Reversed:	-	-
Consumer Debtors	-	-
	6,746,156	16,886,024
Total Impairment Loss	6,872,760	16,971,219
35. FINANCE COSTS		
Bank Overdraft	1,539	4,135
Finance Leases	8,842	1,497
Loans and Payables at amortised cost	1,031,051	1,278,855
Total Interest Paid on External Borrowings	1,041,433	1,284,487
36. BULK PURCHASES		
Electricity	37,634,290	33,173,974
Water	1,147,195	931,628
Total Bulk Purchases	38,781,485	34,105,602

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 Escom whilst Water is purchased from various sources.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37. CONTRACTED SERVICES		
Professional Fees	1,932,611	3,239,262
Security Services	1,538,610	947,368
Other Contracted Services	3,786,188	4,500,152
Total Contracted Services	<u>7,257,409</u>	<u>8,686,782</u>

38. GRANTS AND SUBSIDIES PAID

Community Projects	-	120,395
Other	304,870	667,777
Total Grants and Subsidies	<u>304,870</u>	<u>788,172</u>

The Accreditation Expenses are incurred by the municipality in order to further housing projects within the municipal boundaries. This represents a subsidy paid by the municipality to ensure the success of the respective housing projects.

39. GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	190,468	220,706
Assessment Rates and Municipal Charges	1,931,898	1,643,858
Audit Fees	1,688,335	1,882,181
Bank Charges	306,782	368,943
Branding of the Municipality	255,537	185,655
Cleaning Materials	103,459	86,734
Conference Fees	21,274	10,695
Driving License Fees	78,150	47,475
Electricity Rural Water Pumps	1,186,049	1,048,997
Entertainment	119,728	122,969
Festivals	382,705	335,461
Fuel and Oil	2,767,493	2,526,519
Grave Excavations	85,025	67,723
HR Employee Wellness	1,252,098	1,290,540
IDP Review	7,531	23,220
Insurance	968,488	805,263
Internal Audit	11,378	119,693
Lease Charges	-	10,376
Legal Costs	106,359	189,075
Levies: SALGA	445,180	409,684
License Fees and Subscriptions	327,737	319,089
Lost due to Fraud	649,185	-
Magazines and Reference Work	14,330	965
Motor Vehicle Expenses	87,369	132,458
Performance Appraisal System	-	38,060
Printing and Stationery	926,786	947,115
Protective Clothing	490,464	66,748
Sundry Expenses	1,069,735	1,183,092
Strategic Planning Expenses	210,162	240,031
Telephone Cost	1,075,223	1,183,502
Tourism Strategy	64,891	357,858
Training Costs	(2,294)	102,007
Travelling and Subsistence	1,922,425	1,737,794
Water	735,279	274,425
Workmen's Compensation	322,136	2,592
Youth Development Programme	101,963	-
Total General Expenses	<u>19,903,328</u>	<u>17,981,505</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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
39. GENERAL EXPENSES (continued)		
39.1 Material Losses	649,185	-
Lost due to Fraud	649,185	-

The amounts disclosed above for **Lost due to Fraud** are in respect of costs incurred due to fraud which occurred during the financial year. The matter has been reported to the Police and the investigation is in progress.

40. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	3,040	3,262
Change in Fair Value of Investment Property	1,904,000	-
Net Other Gains and Losses	1,907,040	3,262

No other gains or losses have been recognised in respect of Loans and Receivables, other than as disclosed in Note 13 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Note 34).

41. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

41.1 GRAP 104: Financial Instruments

The municipality developed an Accounting Policy to fully comply with *GRAP 104: Financial Instruments*. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments:

Financial Assets	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Current Portion of Investments	Held to Maturity	Amortised Cost	14,347,052	14,347,052
Long-term Receivables	Loans and Receivables	Amortised Cost	1,164	1,164
Receivables from Exchange Transactions	Loans and Receivables	Amortised Cost	38,360,851	38,360,851
Receivables from Non-Exchange Transactions	Loans and Receivables	Amortised Cost	10,051,549	10,051,549
Bank, Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	14,379,346	14,379,346
Non-current Investments	Loans and Receivables	Amortised Cost	10,940	10,940

41.2 GRAP 21: Impairment of Non-cash-generating Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 21: Impairment of Non-cash-generating Assets*. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

41.3 GRAP 26: Impairment of Cash-generating Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 26: Impairment of Cash-generating Assets*. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

41. CHANGE IN ACCOUNTING POLICY (continued)

41.4 GRAP 24: Presentation of Budget Information in the Financial Statement

The municipality has developed Accounting Policies to fully comply with *GRAP 24: Presentation of Budget Information* in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix E3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix E4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix E5: Reconciliation of Table A7 Budgeted Cash Flows

Appendix E1 and E2 were presented last year containing different information. Appendix E3, E4 and E5 are presented for the first time for the year ending 30 June 2013.

41.5 GRAP 103: Heritage Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 103: Heritage Assets*. In the previous financial years presented, management used GRAP 103 to formulate an Accounting Policy, therefore no retrospective adjustment is required to the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of heritage assets.

42. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2012 and 30 June 2013. Details of the adjustments are as follows:

Statement of Financial Position:

Inventory	54,193,711	46,078,743
Current Portion: Operating Lease Asset	199,554	78,931
Receivables from Non-Exchange Transactions	7,788,763	7,788,763
Receivables from Exchange Transactions	38,360,853	39,144,555
Cash and Cash Equivalents	9,225,228	14,379,346
Property, Plant and Equipment	1,026,179,851	1,025,429,449
Intangible Assets	1,062,345	1,062,346
Investment Property	3,100,000	3,106,800
Non-Current Investments	10,940	10,940
Operating Lease Asset	-	120,623
Long-term Receivables from Exchange Transactions	1,164	1,164
Consumer Deposits	(1,781,959)	(1,781,959)
Current Portion of Retirement Benefit Liabilities	(778,080)	(1,282,656)
Creditors from Exchange Transactions	(11,673,121)	(12,003,563)
Creditors from Non-exchange Transactions	(1,092,970)	(772,728)
Unspent Conditional Grants and Receipts	(11,954,426)	(11,954,426)
VAT Payable	(2,366,885)	(2,189,259)
Bank Overdraft	-	(5,154,118)
Current Portion of Long-term Liabilities	-	(2,256,675)
Long-term Liabilities	(10,767,184)	(8,510,509)
Retirement Benefit Liabilities	(25,130,605)	(24,626,029)
Long Service Award	(2,606,022)	(2,606,022)
Non-current Provisions	(2,467,105)	(2,467,105)
Reserves	-	(198,634,515)
Reserves - Offsetting of Depreciation	-	12,190,337
Accumulated Surplus / (Deficit) - Opening balance	(919,832,243)	(919,832,243)
Accumulated Surplus - Offsetting of Depreciation	-	(12,190,337)
Accumulated Surplus / (Deficit) - (Profit) / loss for the year	56,242,571	56,870,146
Accumulated Surplus - Prior Year Adjustments	(205,914,381)	-
	-0	0

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
Statement of Financial Performance:		
Service Charges		685,953
Employee Related Costs		(552,128)
Depreciation and Amortisation		17,766
Impairment Losses		-
Repairs and Maintenance		(759,681)
Contracted Services		(2,688)
General Expenses		(768)
Other Income		(16,028)
		<u><u>(627,575)</u></u>

42.1 Duplicated electricity charges identified

During the current financial year management identified duplicated electricity charges applicable to a specific debtor. This was the result of internal meters also being charged. This has subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	547,362	445,047
Increase / (decrease) in Receivables in Exchange Transactions	(547,362)	(547,362)

Statement of Financial Performance:

(Increase) / decrease in Service Charges		102,315
	<u>-</u>	<u>-</u>

42.2 Electricity charges overstated due to incorrect meter readings

During the current financial year management identified electricity readings that were incorrect (applicable to a specific debtor). This resulted in overcharges in respect to the electricity. This has subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	311,421	106,482
Increase / (decrease) in Receivables in Exchange Transactions	(311,421)	(311,421)

Statement of Financial Performance:

(Increase) / decrease in Service Charges		204,939
	<u>-</u>	<u>-</u>

42.3 Sundry income for lost library books not recognised

It was found that receipts for lost library books have not been recognised as sundry income, but has rather been included in the financial records as creditors from exchange transactions. This has been subsequently corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(56,582)	(40,554)
Increase / (decrease) in Creditors from Exchange Transactions	56,582	56,582

Statement of Financial Performance:

(Increase) / decrease in Other Income		(16,028)
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.4 Prior year current portion of Post Retirement Benefit Liability identified as overstated		
During the current financial year Arch Actuarial Consultants reviewed the disclosure note contained the 2011/2012 published annual financial statements. It was found that although the total balance was included and accounted for correctly, the current portion was calculated and disclosed incorrectly. This error has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Current Portion of Retirement Benefit Liabilities	504,576	504,576
(Increase) / decrease in Retirement Benefit Liabilities	(504,576)	(504,576)
	<u>-</u>	<u>-</u>
42.5 Prior year provision for leave overstated		
During the current financial year management discovered that the 2012 provision for leave was overstated due to a calculation error on the number of days used. This error has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Exchange Transactions	552,128	552,128
(Increase) / decrease in Accumulated Surplus	(552,128)	
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs		(552,128)
	<u>-</u>	<u>-</u>
42.6 Sale of land cancelled during financial year		
Receipt 12882500 was issued on 2009/12/07 for the sale of erf 427. This receipt was incorrectly recorded as revenue and during 2013 the sale was cancelled and the funds were repaid. The subsequent correction has been made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Non-exchange Transactions	(2,000)	(2,000)
(Increase) / decrease in Accumulated Surplus	2,000	2,000
	<u>-</u>	<u>-</u>
42.7 Accrued interest for the 2010 financial period not reversed during 2011		
The accrued interest calculated for the year ending 30 June 2010 was not subsequently reversed during the 2010/2011 financial period. This resulted in the overstatement of the finance cost and sundry creditors during the 2010/2011 financial year. This has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Exchange Transactions	140,290	140,290
(Increase) / decrease in Accumulated Surplus	(140,290)	(140,290)
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.8 Input VAT claimed in respect of 2011/2012 financial records		
A VAT review conducted during the year identified expenses incurred during the 2011/2012 financial year for which VAT was not claimed. The identified input VAT was subsequently claimed and the applicable correction to the accounting records have been made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in VAT Payable	4,396	4,396
(Increase) / decrease in Accumulated Surplus	(4,396)	(875)
Statement of Financial Performance:		
Increase / (decrease) in Service Charges		(1)
Increase / (decrease) in Repairs and Maintenance		(63)
Increase / (decrease) in Contracted Services		(2,688)
Increase / (decrease) in General Expense		(768)
	-	-
42.9 Incorrect classification of land as Investment Property in previous financial years		
During the review of the Investment Property it was found that the Sports Grounds (R6 800) was incorrectly classified as Investment Property in the previous financial years. This property is used by the public and the purpose thereof is to provide social contribution. It therefore should have been classified as Property, Plant and Equipment.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Property, Plant and Equipment	6,800	6,800
Increase / (decrease) in Investment Property	(6,800)	(6,800)
	-	-
42.10 Correction of consumer account		
It was found that a consumer paid his account - although the funds were debited from is debit card, it was never credited to the account of the municipality. The debtors account was subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Trade and Other Receivables	(904)	(904)
(Increase) / decrease in Accumulated Surplus	904	
Statement of Financial Performance:		
(Increase) / decrease in Service Charges		904
	-	-
42.11 Receipt incorrectly accounted for as revenue and not provided for as a creditor		
Receipt number 1287898 (issued on 2010/05/07) was refunded during the year. This was accounted for as revenue and not as a creditor (sale of land). The necessary correction was subsequently made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	250	250
(Increase) / decrease in Creditor from Exchange Transactions	(250)	(250)
	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.12 Receipt incorrectly accounted for as revenue and not provided for as a creditor		
A full deeds reconciliation was performed during the year and it was found that not all properties were listed in the previous financial periods. The deeds transfers furthermore indicated that some properties were sold in the past, but the transfer only occurred in the 2012/2013 financial period.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(24,224,911)	(24,224,911)
Increase / (decrease) in Inventory	24,543,154	24,543,154
(Increase) / decrease in Creditor from Non-exchange Transactions	(318,243)	(318,243)
	<u>-</u>	<u>-</u>
42.13 Prior year asset additions incorrectly expensed		
During the current year MIG reconciliation, it was found that certain asset additions were incorrectly expensed during the previous financial year.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(759,618)	
Increase / (decrease) in Property, Plant and Equipment	759,618	759,618
Statement of Financial Performance:		
(Increase) / decrease in Repairs and Maintenance		(759,618)
	<u>-</u>	<u>-</u>
42.14 Reclassification of Revaluation Reserve		
It was found that Directive 4 was incorrectly applied during the full GRAP conversion and that the Revaluation Reserve should not have been accounted for, but the adjustment should rather have been made to the Accumulated Surplus.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(186,444,178)	(186,444,178)
(Increase) / decrease in Revaluation Reserve	186,444,178	186,444,178
	<u>-</u>	<u>-</u>
42.15 Landfill site depreciation expense and carrying value misstated		
During the recalculation of the carrying value of the landfill sites, it was found that the carrying value was incorrectly measured and the depreciation expense was misstated. This has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	97,542	93,911
Increase / (decrease) in Property, Plant and Equipment	(97,542)	(97,542)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation		3,631
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.16 June 2011 VAT refund corrected		
A VAT reconciliation was performed and it was found that June 2011 refund was received after SARS made adjustments for the housing grant expenditure. These adjustments were accounted for in the current year as a prior period error.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		182,021
(Increase) / decrease in VAT payable		(182,021)
	<u>-</u>	<u>-</u>
42.17 Gains on movable assets identified		
During the physical movable asset verification, gains were identified that were not recognised in the previous financial years. These gains have retrospectively been adjusted.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(81,523)	(95,658)
Increase / (decrease) in Property, Plant and Equipment	81,523	81,523
Statement of Financial Performance:		
Increase / (decrease) in Depreciation Expense		14,135
	<u>-</u>	<u>-</u>
42.18 Highmast lighting debtors not charged in previous financial years		
During the financial year it was found that no charges were levied against a certain category of consumer debtors for highmast lighting. This has been retrospectively adjusted.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(75,986)	(35,476)
Increase / (decrease) in Trade Receivables from Exchange Transactions	75,986	75,986
Statement of Financial Performance:		
(Increase) / decrease in Service Charges		(40,510)
	<u>-</u>	<u>-</u>
42.19 RDP erven to be transferred to home owners		
During the year erven, previously disclosed as held-for-sale, was identified on which RDP houses were built. These properties do not hold any economic benefit for the Municipality and must be transferred to the home owners.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	16,428,185	16,428,185
Increase / (decrease) in Inventory	(16,428,185)	(16,428,185)
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.20 Pre-paid electricity accrual not included for 2012		
No pre-paid electricity accrual was included in the 2012 AFS. As this service has not yet been rendered, an accrual must be made. This adjustment was retrospectively made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	418,307	
Increase / (decrease) in Trade Payables from Exchange Transactions	(418,307)	(418,307)
Statement of Financial Performance:		
(Increase) / decrease in Service Charges		418,307
	<u>-</u>	<u>-</u>
43. CHANGE IN ACCOUNTING ESTIMATES		
The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.		
44. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(48,767,017)	(56,242,568)
Adjustment for:		
Depreciation and Amortisation	68,925,399	68,668,190
Impairment Losses on Property, Plant and Equipment	126,604	85,197
Losses / (Gains) on Disposal of Property, Plant and Equipment	86,230	44,914
Losses / (Gains) on Disposal of Investment Property	-	288,719
Other Movement on Property, Plant and Equipment	-	1,819
Fair Value Adjustment on Investment Property	(1,904,000)	-
Fair Value Adjustment on Non-current Investments	(3,040)	(3,262)
Contribution to Retirement Benefit Liabilities	3,708,057	-
Expenditure incurred from Retirement Benefit Liabilities	-	(377,002)
Contribution to Provisions - Current	104,412	-
Contribution to Provisions - Non-current	3,831,227	353,609
Expenditure incurred from Provisions - Current	-	(312,956)
Operating surplus before working capital changes	26,107,872	12,506,660
Decrease/(Increase) in Inventories	1,248,845	(92,232)
Decrease/(Increase) in Receivables from Exchange Transactions	(8,460,786)	1,954,311
Decrease/(Increase) in Receivables from Non-exchange Transactions	(2,044,741)	(596,364)
Increase/(Decrease) in Consumer Deposits	43,082	71,363
Increase/(Decrease) in Creditors from Exchange Transactions	(1,653,382)	3,639,409
Increase/(Decrease) in Creditors from Non-exchange Transactions	(248,627)	44,649
Increase/(Decrease) in Conditional Grants and Receipts	587,021	9,629,037
Increase/(Decrease) in VAT Payable	1,856,362	(1,850,800)
Cash generated by / (utilised in) Operations	17,435,647	25,306,034
45. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
46. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	<u>800,000</u>	<u>800,000</u>
47. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 21)	8,492,623	10,767,184
Used to finance Property, Plant and Equipment - at cost	(8,492,623)	(10,767,184)
Cash invested for Repayment of Long-term Liabilities	<u>-</u>	<u>-</u>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		

48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

48.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	55,530,424	-
Unauthorised Expenditure current year	54,229,999	56,042,160
Approved by Council or condoned	(109,760,423)	(511,736)
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>55,530,424</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	Expenditure to be investigated by council.
<i>Executive and Council - R9 296 500</i>	
<i>Road Transport - R1 520 767</i>	
<i>Housing Services - R2 705 002</i>	
<i>Waste Management - R3 179 756.57</i>	
<i>Electricity - R22 467 355</i>	
<i>Water - R15 060 492</i>	
<i>The unauthorised expenditure is attributable to the backlog depreciation which has not been budgeted for, but must be recognised and be accounted for in terms of GRAP. It is important to note that this is non-cash related accounting entries.</i>	

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R

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R

48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

48.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	798,860	-
Approved by Council or condoned	-	-
	<u>798,860</u>	<u>-</u>
Fruitless and Wasteful Expenditure awaiting authorisation		

Incident	Disciplinary Steps / Criminal Proceedings
<i>The fruitless and wasteful expenditure identified was inspected and it can be categorised as follows:</i>	<i>Expenditure condoned</i>
<i>The engine of the grader was damaged beyond repair due to a lack of oil - R149 675</i>	
<i>Fraudulent payments were made during the year which amounted to R649 185</i>	

48.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	16,257,924	16,257,924
Irregular Expenditure current year	23,092,293	-
Condoned or written off by Council	-	-

Irregular Expenditure awaiting condonement	<u>39,350,217</u>	<u>16,257,924</u>
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Incident	Disciplinary Steps / Criminal Proceedings
<i>The irregular expenditure identified was inspected and it can be categorised as follows:</i>	<i>Expenditure to be investigated by council.</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 = R292 308.	
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 = R5 694 520.	
MBD 4 forms (declaration of interests) 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 = R5 817 169.	
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 293 665.	
Specific items amounting to R1 533 972 were identified to be irregular as these items exceeded the tendered amount.	
Through the testing of all awards made to tenderers in the financial year, it was found that MBD 8 forms were not completed by all winning bidders, amounting to R801 312 payments made as irregular expenditure.	
Through the testing of all awards made to tenderers in the financial year, it was found that the points were incorrectly calculated, amounting to R7 659 349 payments made as irregular expenditure.	

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
49.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	445,180	409,684
Amount Paid - current year	(445,180)	(409,684)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
49.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	1,688,335	1,882,181
Amount Paid - current year	(1,688,335)	(1,882,181)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
49.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Notes 6 and 20. All VAT returns have been submitted by the due date throughout the year.		
49.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	6,055,857	4,802,587
Amount Paid - current year	(6,055,857)	(4,802,587)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
49.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	12,005,713	10,248,115
Amount Paid - current year	(12,005,713)	(10,248,115)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R

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R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

49.6 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 2013			
Councillor Kivedo MC	10,069	482	9,587
Councillor Jood J	311	487	(176)
Councillor Witbooi WA	2,840	1,156	1,683
Total Councillor Arrear Consumer Accounts	13,219	2,125	11,094
30 June 2012			
Councillor Sthonga ST	300	300	-
Councillor Freddie MM	285	285	-
Councillor Kivedo MC	12,091	1,327	10,764
Councillor Jood J	1,901	1,341	560
Councillor Thomas NS	914	914	-
Councillor Du Plessis WJ	1,011	1,011	-
Councillor Witbooi WA	1,040	805	235
Councillor Malherbe M	988	988	-
Total Councillor Arrear Consumer Accounts	18,530	6,971	11,559

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2013		
Councillor Kivedo MC	12,115	> 90 Days
Councillor Jood J	1,021	> 90 Days
Councillor Witbooi WA	2,464	> 90 Days
30 June 2012		
Councillor Sthonga ST	4,086	> 90 Days
Councillor Kivedo MC	11,548	> 90 Days
Councillor Jood J	708	> 90 Days
Councillor Jafhta AF	1,592	> 90 Days
Councillor Witbooi WA	210	> 90 Days

49.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

49.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The majority of the items mentioned resulted from the municipality not being able to obtain the required 3 quotations, due various reasons of which the following is the most common:

- Only 2 suppliers are registered on the municipal database that can do the work;
- Only service provider within a 300km radius;
- Advertising required in the local newspaper; and
- Only 1 or 2 quotations received.

Deviations from the stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council on a monthly basis for approval.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

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:

Only 1 quotation obtained:

Department	Date	Successful Tenderer	Reason	Amount
Executive & Council	Throughout	Various occasions	Various matters	37,836.47
Finance & Admin	Throughout	Various occasions	Various matters	337,017.68
Planning & Development	Throughout	Various occasions	Various matters	148,528.05
Community & Social Services	Throughout	Various occasions	Various matters	98,483.79
Public Safety	Throughout	Various occasions	Various matters	60,448.57
Sports & Recreation	Throughout	Various occasions	Various matters	14,903.63
Road Transport	Throughout	Various occasions	Various matters	360,860.34
Other	Throughout	Various occasions	Various matters	24,434.40
Housing Services	Throughout	Various occasions	Various matters	1,104.53
Waste Management	Throughout	Various occasions	Various matters	37,177.56
Waste Water Management	Throughout	Various occasions	Various matters	9,585.91
Electricity	Throughout	Various occasions	Various matters	131,886.84
Water	Throughout	Various occasions	Various matters	30,494.04
376 occasions during the year amounting to R1,292,762				

Only 2 quotations obtained:

Department	Date	Successful Tenderer	Reason	Amount
Executive & Council	Throughout	Various occasions	Various matters	37,836.47
Finance & Admin	Throughout	Various occasions	Various matters	337,017.68
Planning & Development	Throughout	Various occasions	Various matters	148,528.05
Community & Social Services	Throughout	Various occasions	Various matters	98,483.79
Public Safety	Throughout	Various occasions	Various matters	60,448.57
Sports & Recreation	Throughout	Various occasions	Various matters	14,903.63
Road Transport	Throughout	Various occasions	Various matters	360,860.34
Waste Management	Throughout	Various occasions	Various matters	37,177.56
Waste Water Management	Throughout	Various occasions	Various matters	9,585.91
Electricity	Throughout	Various occasions	Various matters	131,886.84
288 occasions during the year amounting to R983,877				

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

49.9 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 2013	Unaccounted Electricity Losses	8,234,071	0.6800	5,599,168
30 June 2012	Unaccounted Electricity Losses	7,820,438	0.6100	4,770,467

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	55,479,545	54,462,302
Billed Consumption	(42,807,111)	(42,284,880)
Unaccounted	12,672,434	12,177,422
Normal distribution losses - % of electricity purchases	(4,438,364)	(4,356,984)
Distribution Loss	8,234,071	7,820,438
Percentage Distribution Loss	14.84%	14.36%
Loss (R):	5,599,168	4,770,467

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R

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R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

Calculated as follows :

	%	Lost Units	Tariff	Value
30 June 2013				
Total Electricity Losses	100.00%	8,234,071	@	5,599,168
Household - sub	1.97%	162,039	0.6800	110,187
Household	19.00%	1,564,164	0.6800	1,063,631
Business	14.28%	1,175,761	0.6800	799,518
Rural	0.19%	15,660	0.6800	10,649
Large Consumers	13.71%	1,128,705	0.6800	767,519
Transnet	5.39%	443,578	0.6800	301,633
Streetlights	5.84%	480,508	0.6800	326,745
Departmental	1.13%	92,787	0.6800	63,095
Departmental - Large	0.01%	562	0.6800	382
Departmental - Rural	0.09%	7,156	0.6800	4,866
Departmental - Large	0.00%	325	0.6800	221
Pre-paid meters	38.41%	3,162,826	0.6800	2,150,722

30 June 2012

Total Electricity Losses	100.00%	7,820,439	@	4,770,468
Household - sub	2.06%	160,916	0.6100	98,159
Household	21.99%	1,719,807	0.6100	1,049,082
Business	15.31%	1,197,306	0.6100	730,357
Rural	0.19%	14,973	0.6100	9,134
Large Consumers	13.19%	1,031,235	0.6100	629,053
Transnet	5.49%	429,476	0.6100	261,980
Streetlights	5.20%	407,008	0.6100	248,275
Departmental	1.11%	86,909	0.6100	53,014
Departmental - Large	0.01%	548	0.6100	334
Departmental - Rural	0.08%	5,945	0.6100	3,626
Departmental - Large	0.01%	652	0.6100	398
Pre-paid meters	35.36%	2,765,664	0.6100	1,687,055

Water:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Water Losses	565,117	0.6838	386,444
30 June 2012	Unaccounted Water Losses	479,141	0.6132	293,821

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/repared as soon as they are reported.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
50. COMMITMENTS FOR EXPENDITURE		
50.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	8,559,351	6,418,640
Infrastructure	7,917,931	5,199,371
Housing Development	339,420	-
Other	302,000	1,219,269
- Approved but Not Yet Contracted for:-	937,476	937,476
Infrastructure	937,476	937,476
Total Capital Commitments	9,496,827	7,356,116
This expenditure will be financed from:		
Government Grants	8,528,730	7,356,116
Own Resources	968,096	-
	9,496,827	7,356,116

50.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 21.

50.3 Other Commitments

The municipality has entered into a contract with BVI Consulting Engineers for Engineering Services for Disinfect Drinking Water. The commitment at yearend amounted to R390 347 at yearend.

The municipality has entered into a contract with Nationwide Security for the provision for security services. The commitment at yearend amounted to R3 647 664 at yearend.

51. FINANCIAL INSTRUMENTS

51.1 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	13,980	10,940
Long-term Receivables			
Other Loans	Amortised cost	1,164	1,164
Receivables from Exchange Transactions			
Electricity	Amortised cost	12,187,594	10,495,808
Refuse	Amortised cost	5,165,851	4,300,924
Sewerage	Amortised cost	10,717,311	8,905,796
Water	Amortised cost	17,215,262	13,620,916
Other Receivables	Amortised cost	1,317,578	1,037,407
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	9,189,948	6,318,480
Sundry Deposits	Amortised cost	109,610	109,610
Sundry Debtors	Amortised cost	751,990	1,360,673
Cash and Cash Equivalents			
Call Deposits	Fair value	7,098,439	8,062,686
Notice Deposits	Fair value	9,927,906	6,284,366
Bank Balances	Fair value	168,744	31,134
Cash Floats and Advances	Fair value	1,400	1,160

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
51. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Other Loans	1,164	1,164
Receivables from Exchange Transactions	Electricity	12,187,594	10,495,808
Receivables from Exchange Transactions	Refuse	5,165,851	4,300,924
Receivables from Exchange Transactions	Sewerage	10,717,311	8,905,796
Receivables from Exchange Transactions	Water	17,215,262	13,620,916
Receivables from Exchange Transactions	Other Debtors	1,317,578	1,037,407
Receivables from Non-exchange Transactions	Assessment Rates Debtors	9,189,948	6,318,480
Receivables from Non-exchange Transactions	Sundry Deposits	109,610	109,610
Receivables from Non-exchange Transactions	Sundry Debtors	751,990	1,360,673
		56,656,309	46,150,778
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	13,980	10,940
Cash and Cash Equivalents	Call Deposits	7,098,439	8,062,686
Cash and Cash Equivalents	Notice Deposits	9,927,906	6,284,366
Cash and Cash Equivalents	Bank Balances	168,744	31,134
Cash and Cash Equivalents	Cash Floats and Advances	1,400	1,160
		17,210,469	14,390,286
Total Financial Assets		73,866,777	60,541,064
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Financial Liabilities		Classification	
Long-term Liabilities			
Annuity Loans	Amortised cost	6,007,941	8,510,509
Finance Lease Liabilities	Amortised cost	-	-
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	1,327,643	3,059,835
Payments Received In Advance	Amortised cost	738,817	1,257,371
Staff Bonuses	Amortised cost	1,648,427	1,174,230
Staff Leave Accrued	Amortised cost	3,816,770	3,973,404
Sundry Deposits	Amortised cost	212,059	199,745
Other Creditors	Amortised cost	2,275,943	2,008,536
Payables from Non-exchange Transactions			
Payments Received In Advance	Amortised cost	844,342	1,092,970
Other Creditors	Amortised cost	-	-
Bank Overdraft			
Bank Overdraft	Fair value	6,498,375	5,154,118
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	2,484,682	2,233,071
Finance Lease Liabilities	Amortised cost	-	23,604

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
51. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	6,007,941	8,510,509
Long-term Liabilities	Finance Lease Liabilities	-	-
Payables from Exchange Transactions	Trade Creditors	1,327,643	3,059,835
Payables from Exchange Transactions	Payments Received In Advance	738,817	1,257,371
Payables from Exchange Transactions	Staff Bonuses	1,648,427	1,174,230
Payables from Exchange Transactions	Staff Leave Accrued	3,816,770	3,973,404
Payables from Exchange Transactions	Sundry Deposits	212,059	199,745
Payables from Exchange Transactions	Other Creditors	2,275,943	2,008,536
Payables from Non-exchange Transactions	Payments Received In Advance	844,342	1,092,970
Payables from Non-exchange Transactions	Other Creditors	-	-
Current Portion of Long-term Liabilities	Annuity Loans	2,484,682	2,233,071
Current Portion of Long-term Liabilities	Finance Lease Liabilities	-	23,604
		<u>19,356,623</u>	<u>23,533,275</u>
Financial Liabilities at Fair Value:			
Bank Overdraft	Bank Overdraft	6,498,375	5,154,118
		<u>6,498,375</u>	<u>5,154,118</u>
Total Financial Liabilities		<u>25,854,997</u>	<u>28,687,393</u>

51.2 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 and Short-term Investments

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 ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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51. FINANCIAL INSTRUMENTS (continued)

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 2012, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	56,656,309	56,656,309	46,150,778	46,150,778
Long-term Receivables	1,164	1,164	1,164	1,164
Trade Receivables from Exchange Transactions	46,603,596	46,603,596	38,360,851	38,360,851
Trade Receivables from Non-exchange Transactions	10,051,549	10,051,549	7,788,763	7,788,763
Measured at Fair Value	17,210,469	17,210,469	14,390,286	14,390,286
Listed Investments	13,980	13,980	10,940	10,940
Call Deposits	7,098,439	7,098,439	8,062,686	8,062,686
Notice Deposits	9,927,906	9,927,906	6,284,366	6,284,366
Bank Balances	168,744	168,744	31,134	31,134
Cash Floats and Advances	1,400	1,400	1,160	1,160
Total Financial Assets	73,866,777	73,866,777	60,541,064	60,541,064
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	19,356,623	19,356,623	23,533,275	23,533,275
Annuity Loans	6,007,941	6,007,941	8,510,509	8,510,509
Finance Lease Liabilities	-	-	-	-
Trade and Other Payables:				
- Payables from Exchange Transactions	10,019,658	10,019,658	11,673,121	11,673,121
- Payables from Non-exchange Transactions	844,342	844,342	1,092,970	1,092,970
- Current Portion of Long-term Liabilities	2,484,682	2,484,682	2,256,675	2,256,675
Measured at Fair Value	6,498,375	6,498,375	5,154,118	5,154,118
Bank Overdraft	6,498,375	6,498,375	5,154,118	5,154,118
Total Financial Liabilities	25,854,997	25,854,997	28,687,393	28,687,393
Total Financial Instruments	48,011,780	48,011,780	31,853,671	31,853,671
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in Note 42: Change in Accounting Policy.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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51. FINANCIAL INSTRUMENTS (continued)

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.

Class is one level lower than category.

30 June 2013	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	13,980	-	-	13,980
Call Deposits	7,098,439	-	-	7,098,439
Notice Deposits	9,927,906	-	-	9,927,906
Bank Balances	168,744	-	-	168,744
Cash Floats and Advances	1,400	-	-	1,400
Total Financial Assets	17,210,469	-	-	17,210,469
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	6,498,375	-	-	6,498,375
Total Financial Liabilities	6,498,375	-	-	6,498,375
Total Financial Instruments	10,712,094	-	-	10,712,094
30 June 2012				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	10,940	-	-	10,940
Call Deposits	8,062,686	-	-	8,062,686
Notice Deposits	6,284,366	-	-	6,284,366
Bank Balances	31,134	-	-	31,134
Cash Floats and Advances	1,160	-	-	1,160
Total Financial Assets	14,390,286	-	-	14,390,286
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	5,154,118	-	-	5,154,118
Total Financial Liabilities	5,154,118	-	-	5,154,118
Total Financial Instruments	9,236,168	-	-	9,236,168

51.3 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 22, Cash and Cash Equivalents and Equity, Accumulated Surplus as disclosed in Note 25 and the Statement of Changes in Net Assets.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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51. 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	8,492,623	10,767,184
Cash and Cash Equivalents	6,498,375	5,154,118
Net Debt	<u>14,990,997</u>	<u>15,921,302</u>
Equity	<u>1,020,737,035</u>	<u>1,069,504,052</u>
Net debt to equity ratio	<u>1.47%</u>	<u>1.49%</u>

Debt is defined as Long-term Liabilities, as detailed in Notes 22.

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.

51.4 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.

51.5 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 2013

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51. 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 timeously 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 53.8 to the Annual Financial Statements.

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.6.2 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.

51.6.1 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.

51.6.2 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 exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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51. FINANCIAL INSTRUMENTS (continued)

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

51.7 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 rendered to them.

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 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- 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 annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer 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 follows:

Long-term Receivables	1,164	1,164
Consumer Debtors	54,475,967	43,641,924
Other Debtors	2,179,178	2,507,690
Bank, Cash and Cash Equivalents	17,196,489	14,379,346
Maximum Credit and Interest Risk Exposure	73,852,797	60,530,124

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
51. 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	85.06%	82.57%
- Industrial / Commercial	6.03%	10.30%
- National and Provincial Government	7.78%	3.94%
- Other Classes	0.00%	0.01%
Other Debtors:		
- Other not Classified	1.14%	3.19%
Total Credit Risk	100.00%	100.00%
Bank and Cash Balances		
ABSA Bank Ltd	10,066,462	6,383,404
First National Bank	2,523	96,720
Nedbank	6,521,164	5,222,226
Standard Bank	604,940	2,675,836
Cash Equivalents	1,400	1,160
Total Bank and Cash Balances	17,196,488	14,379,346
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	1,164	1,164
Group 2	-	-
Group 3	-	-
Total Long-term Receivables	1,164	1,164
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	46,128,776	38,525,689
Group 2	10,961,376	10,281,867
Group 3	21,560,401	16,749,586
Total Receivables from Exchange Transactions	78,650,553	65,557,142
Receivables from Non-exchange Transactions		
Group 1	11,092,762	1,395,111
Group 2	63,337	10,592
Group 3	1,223,978	965,079
Total Receivables from Non-exchange Transactions	12,380,077	2,370,782

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

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 2013

51. FINANCIAL INSTRUMENTS (Continued)

51.8 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 48 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 2013								
Non-interest Bearing		0.00%	13,467,066	13,467,066	-	-	-	-
- Payables from Exchange transactions	17		10,019,658	10,019,658	-	-	-	-
- Payables from Non-exchange transactions	18		844,342	844,342	-	-	-	-
Variable Interest Rate Instruments		8.08%	12,849,552	7,653,139	1,154,764	2,309,529	1,732,120	-
- ABSA Bank Ltd	21		12,849,552	7,653,139	1,154,764	2,309,529	1,732,120	-
Fixed Interest Rate Instruments			-	-	-	-	-	-
- DBSA (1150 563)	21	10.00%	666,282	111,047	111,047	222,094	222,094	-
- DBSA (1150 566)	21	12.00%	3,000,616	375,077	375,077	750,154	1,500,308	-
			26,316,618	21,120,205	1,154,764	2,309,529	1,732,120	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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
30 June 2012	#	%	R	R	R	R	R	R
Non-interest Bearing		0.00%	12,347,784	12,347,784	-	-	-	-
- Payables from Exchange Transactions	17		11,254,814	11,254,814	-	-	-	-
- Payables from Non-exchange Transactions	18		1,092,970	1,092,970	-	-	-	-
			-					
Variable Interest Rate Instruments		8.08%	8,745,837	1,166,112	1,166,112	2,332,223	4,081,390	-
- ABSA Bank Ltd	21		8,745,837	1,166,112	1,166,112	2,332,223	4,081,390	-
Fixed Interest Rate Instruments			4,639,146	486,124	486,124	972,248	2,694,650	-
- DBSA (1150 563)	21	10.00%	888,376	111,047	111,047	222,094	444,188	-
- DBSA (1150 566)	21	12.00%	3,750,770	375,077	375,077	750,154	2,250,462	-
			25,732,767	14,000,020	1,652,236	3,304,471	6,776,040	-

The municipality has access to financing facilities, the total unused amount which is R1 850 000 (2012: R1 850 000), 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.

51.9 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 2013

2013
R

2012
R

52. 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 R6 325 945 (2012: R5 310 466) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint 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 investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). 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 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) 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 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

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 2010 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

53. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

53.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Visser I	Municipal Manager	Director of Siyathemba Social Development Projects

53.2 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 2013

Councillors	26,138	58,714	376	85,228
Municipal Manager and Section 57 Personnel	23,640	38,630	8,712	70,981
Total Services	49,777	97,344	9,088	156,209

For the Year ended 30 June 2012

Councillors	22,999	58,168	2,775	83,942
Municipal Manager and Section 57 Personnel	18,225	34,789	8,017	61,031
Total Services	41,225	92,957	10,792	144,974

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

53.3 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.

53.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

53.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
54. CONTINGENT LIABILITIES		
54.1 Court Proceedings:	<u>1,515,739</u>	<u>2,224,373</u>
(i) Cape Joint Pension Fund:	-	2,186,766
<p>During the actuarial valuation performed on the fund, it was found that the interest on the total monies of the Fund was lower than 5.50% for the year ended June 2009.</p> <p>This resulted in Rule 17(5) being enforced by the Fund, resulting in the liability of R2 186 766 for the Municipality, as well as any additional interest to be charged from February 2010.</p> <p>The Municipality however opted to consent to the extension of the prescription period to afford the Fund an opportunity to find an amicable solution.</p> <p>The summons was withdrew by the Fund, but the Fund reserved the right to claim the deficit from the Municipality.</p>		
(ii) Sigonyeta:	100,000	-
<p>Claim against municipality on behalf of property owners. The total possible claim is estimated to be R100 000. The attorneys are however of the opinion that this matter will not go to court within the following year.</p>		
(iii) Telkom:	60,000	37,607
<p>The Municipality has been summonsed for an amount of R35 568. Should the Municipality loose this matter in court, the total amount to be paid will amount to the R35 568 plus interest at 15.5% per month, calculated from 2012/02/16. The legal costs applicable is estimated to be R20 000.</p>		
(iii) Landfill Sites:	-	-
<p>The Municipality has three active landfill sites. It has been identified that the landfill sites situated in Britstown and Hanover are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).</p> <p>In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.</p> <p>The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.</p>		
(iii) Department of Safety and Liaison: Motor Registration Fees	1,355,739	
<p>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.</p> <p>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.</p> <p>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.</p> <p>To date the investigation has not taken place and will be conducted before the end of the financial year of DSL. A complete report will be prepared after the investigation has been completed.</p> <p>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.</p>		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

55. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

56. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

57. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

58. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

59. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 41) and Prior Period Errors (Note 42).

60. NON-COMPLIANCE WITH TO THE MUNICIPAL FINANCE MANAGEMENT ACT

Non Compliance to the following sections of chapters of the MFMA :

Section	Non-compliance
Section 66(c)	<i>The travel, motor car, accommodation, subsistence and other allowances were not reported to the council in the prescribed reports in periods as required.</i>
Section 64(2)(b)	<i>The revenue due has not been calculated on a monthly basis.</i>
Section 71(2)(a)	<i>The reports did not include a projection of the municipality's revenue and expenditure for the rest of the financial year.</i>
Section 9	<i>The relevant Treasury and the Auditor-General were not informed about all the bank accounts held by the Municipality.</i>

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
DBSA	1,809,999	10.00%	1150 563	3/31/2016	735,011	-	(157,377)	577,634
DBSA	4,981,693	12.00%	1150 566	3/31/2017	2,840,368	-	(441,960)	2,398,408
ABSA Bank Ltd	9,000,000	9.00%	30 3336 7955	3/31/2016	7,168,201	-	(1,651,621)	5,516,580
Total Annuity Loans	15,791,692				10,743,580	-	(2,250,957)	8,492,623
CAPITAL LEASE LIABILITIES								
Konica Minolta	116,308	6.12%	20161150001	3/31/2013	23,604	-	(23,604)	-
Total Capital Lease Liabilities	116,308				23,604	-	(23,604)	-
TOTAL EXTERNAL LOANS	15,908,000				10,767,184	-	(2,274,561)	8,492,623

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.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R585 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

ABSA loan (30 3336 7955):

Structured secured 5 year loan for the purchase of vehicles. Original loan capital of R9 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest of R194 352.

CAPITAL LEASE LIABILITIES:

Konica Minolta (20161150001):

Lease liability relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on finance leases is between 10,00% and 11,00% (2012: 10,00 to 11,00%). The capitalised lease liability is secured by the equipment leased over the lease term.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	24,125,235	-	-	-	-	24,125,235	-	-	-	-	-	24,125,235
Building	257,246,873	557,224	502,408	-	-	258,306,505	108,415,860	10,728,973	-	-	119,144,833	139,161,672
	281,372,108	557,224	502,408	-	-	282,431,740	108,415,860	10,728,973	-	-	119,144,833	163,286,907
Infrastructure												
<i>Electricity:</i>												
Electricity Network	217,187,387	-	3,145,499	-	-	220,332,885	122,865,068	8,569,693	-	-	131,434,760	88,898,125
<i>Solid Waste</i>												
Landfill Site	2,683,331	-	-	-	-	2,683,331	96,205	89,211	-	-	185,417	2,497,914
<i>Sanitation:</i>												
Sewer	103,032,039	-	-	-	-	103,032,039	55,713,184	3,061,911	-	-	58,775,095	44,256,945
<i>Storm Water</i>												
Storm Water Network	400,773,696	-	6,803,485	-	-	407,577,181	223,414,394	7,837,944	-	-	231,252,338	176,324,843
<i>Roads:</i>												
Roads Network	813,602,592	123,053	1,388,355	-	-	815,114,001	454,414,857	19,148,365	-	-	473,563,222	341,550,779
<i>Water:</i>												
Water Network	310,319,149	277,787	-	-	-	310,596,937	157,974,264	14,677,472	-	-	172,651,736	137,945,201
	1,847,598,194	400,840	11,337,340	-	-	1,859,336,374	1,014,477,971	53,384,597	-	-	1,067,862,568	791,473,806
Other Assets												
<i>Computer Equipment</i>												
Computer Hardware Including Operating Systems	2,312,281	318,514	-	(37,942)	(22,583)	2,570,270	1,246,901	654,557	(35,071)	(10,837)	1,855,551	714,720
<i>Transport Assets</i>												
Bicycles	2,400	-	-	-	-	2,400	634	288	-	-	922	1,478
Motor Vehicles	3,203,486	280,000	-	(26,301)	-	3,457,185	759,030	552,718	(10,100)	-	1,301,648	2,155,537
Trailers And Accessories	299,690	-	-	(27,800)	-	271,890	66,107	38,834	(13,789)	-	91,152	180,738
Trucks	5,060,306	-	-	-	-	5,060,306	849,560	486,822	-	-	1,336,382	3,723,924
<i>Furniture and Office Equipment:</i>												
Advertising Boards	3,341,148	-	-	-	-	3,341,148	226,910	335,519	-	-	562,429	2,778,718
Air Conditioners Individual Fixed And Movable	328,709	119,363	-	-	-	448,072	119,306	102,578	-	-	221,884	226,189
Domestic And Hostel Furniture	61,825	-	-	-	-	61,825	23,556	5,401	-	-	28,957	32,868
Fixtures & Fittings	515,478	-	-	-	(4,730)	510,748	224,280	92,373	-	(2,980)	313,673	197,076
Office Equipment Including Fax Machines	913,980	7,939	-	(83,667)	-	838,252	433,789	159,733	(55,457)	-	538,065	300,187
Office Furniture	3,385,016	46,169	-	(19,712)	(108,842)	3,302,630	1,548,385	613,776	(18,785)	(48,146)	2,095,231	1,207,399
<i>Machinery and Equipment:</i>												
Audiovisual Equipment	284,048	11,311	-	(6,400)	-	288,959	114,818	51,758	(5,952)	-	160,624	128,335
Domestic Equipment (Non Kitchen Appliances)	121,734	4,839	-	-	(798)	125,775	67,849	30,931	-	(517)	98,262	27,512
Electric Wire And Power Distribution Equipment	127,189	15,178	-	-	-	142,367	57,232	26,494	-	-	83,727	58,640
Fire Arms	29,440	-	-	-	(29,440)	-	13,248	5,299	-	(18,547)	-	-
Fire Fighting Equipment	95,940	-	-	-	-	95,940	48,470	28,501	-	-	76,971	18,969
Gardening Equipment	128,880	17,910	-	-	-	146,790	55,755	36,795	-	-	92,550	54,241

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Kitchen Appliances	154,068	6,096	-	-	-	160,164	72,578	29,150	-	-	101,728	58,436
Laboratory Equipment Agricultural	9,300	-	-	-	-	9,300	3,524	1,674	-	-	5,198	4,103
Laboratory Equipment Medical Testing	5,993	-	-	-	-	5,993	3,623	998	-	-	4,621	1,372
Machines For Textile Production	1,393	-	-	-	-	1,393	501	125	-	-	627	766
Medical And Allied Equipment	31,233	-	-	-	-	31,233	12,017	5,622	-	-	17,639	13,594
Meters Prepaid	34,819	-	-	-	-	34,819	16,831	7,180	-	-	24,011	10,808
Music Instruments	130,000	-	-	-	-	130,000	46,800	11,700	-	-	58,500	71,500
Pumps, Plumbing, Purification, Sanitation And Allied Equipment	614,498	2,500	-	-	-	616,998	287,960	109,318	-	-	397,278	219,720
Radio Equipment	55,681	-	-	-	(5,400)	50,281	25,822	10,969	-	(4,536)	32,255	18,025
Road Construction And Maintenance Equipment	5,133,907	-	-	(21,140)	-	5,112,767	897,180	461,601	(16,172)	-	1,342,609	3,770,157
Security & Access Control Units	129,179	-	-	-	-	129,179	13,905	12,042	-	-	25,947	103,232
Telecommunication Equipment	516,615	18,418	-	-	-	535,033	294,012	153,697	-	-	447,709	87,325
Workshop Equipment And Loose Tools Fixed	96,152	-	-	-	-	96,152	44,124	16,858	-	-	60,982	35,170
Workshop Equipment And Loose Tools Movable	1,102,163	57,103	-	(31,500)	-	1,127,766	548,463	306,919	(27,405)	-	827,977	299,789
	28,226,550	905,341	-	(254,462)	(171,793)	28,705,635	8,123,171	4,350,228	(182,730)	(85,563)	12,205,106	16,500,529
Total	2,157,196,852	1,863,405	11,839,748	(254,462)	(171,793)	2,170,473,750	1,131,017,002	68,463,798	(182,730)	(85,563)	1,199,212,507	971,261,242

ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Property												
Land	3,100,000	1,904,000				5,004,000						5,004,000
	3,100,000	1,904,000	-	-	-	5,004,000	-	-	-	-	-	5,004,000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	1,820,751	63,909	-	-	-	1,884,660	758,406	588,205	-	-	1,346,612	538,049
	1,820,751	63,909	-	-	-	1,884,660	758,406	588,205	-	-	1,346,612	538,049

Total Asset Register	2,162,117,603	3,831,314	11,839,748	(254,462)	(171,793)	2,177,362,410	1,131,775,409	69,052,003	(182,730)	(85,563)	1,200,559,119	974,138,783
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EMTHANJENI LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	904,047	52,995	-	(26,301)	(1,359)	929,381	290,965	200,910	-10,100	-856	480,920	448,462
Finance and Administration	2,603,891	554,419	-	(33,995)	(97,759)	3,026,556	1,107,254	545,316	-30,511	-31,612	1,590,447	1,436,109
Planning and Development	281,372,108	557,224	502,408	-	-	282,431,740	108,415,860	10,728,973	-	-	119,144,833	163,286,907
Community and Social Services	5,236,464	136,034	-	(57,156)	(37,801)	5,277,541	2,244,375	1,054,899	-53,649	-24,084	3,221,541	2,056,000
Health	150,107	412	-	-	(18,285)	132,234	76,323	27,560	-	-15,102	88,782	43,452
Housing	16,211,495	141,639	-	(126,688)	(14,789)	16,211,657	3,728,418	2,142,075	-79,631	-12,397	5,778,465	10,433,192
Roads and Transport	403,894,242	19,841	6,803,485	(10,322)	(1,800)	410,705,447	224,090,230	8,217,411	-8,839	-1,512	232,297,290	178,408,157
Electricity	1,030,789,979	400,840	3,884,035	-	-	1,035,074,854	577,279,924	27,718,058	-	-	604,997,982	430,076,872
Waste Management	105,715,370	-	-	-	-	105,715,370	55,809,390	3,151,122	-	-	58,960,511	46,754,859
Water	310,319,149	-	649,820	-	-	310,968,969	157,974,264	14,677,472	-	-	172,651,736	138,317,233
Total	2,157,196,852	1,863,405	11,839,748	(254,462)	(171,793)	2,170,473,750	1,131,017,002	68,463,798	(182,730)	(85,563)	1,188,483,534	971,261,242

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R	R	R
5,232,561	(9,363,735)	(4,131,174)	Executive and Council	5,410,411	2,798,853	(18,851,878)	(10,221,277)	(13,441,467)
30,475,327	(23,549,606)	6,925,721	Finance and Administration	35,730,686	35,751,939	(24,068,694)	(28,439,644)	11,661,991
4,034,155	(5,640,583)	(1,606,428)	Planning and Development	745,788	18,483,000	(17,171,398)	(9,261,240)	(16,425,610)
-	(132,669)	(132,669)	Health	-	1,001,000	(79,492)	(196,825)	(79,492)
1,456,461	(4,960,476)	(3,504,015)	Community and Social Services	1,394,429	1,231,799	(5,894,661)	(7,097,834)	(4,500,232)
244,006	(4,006,883)	(3,762,877)	Housing	1,219,589	19,102	(4,842,947)	(2,137,945)	(3,623,358)
7,165,144	(7,785,624)	(620,480)	Public Safety	8,489,845	7,353,893	(7,041,403)	(8,252,747)	1,448,441
79,423	(33,001,439)	(32,922,016)	Sport and Recreation	355,071	85,787	(3,299,439)	(3,504,126)	(2,944,368)
-	-	-	Environmental Protection	-	-	-	-	-
24,722,347	(20,099,953)	4,622,395	Waste Management	28,208,577	26,020,419	(18,700,069)	(14,868,312)	9,508,509
618,791	(8,672,055)	(8,053,264)	Roads and Transport	3,628,328	658,191	(17,490,973)	(12,508,813)	(13,862,646)
19,007,830	(32,765,426)	(13,757,596)	Water	29,105,012	18,370,556	(21,999,822)	(6,922,476)	7,105,190
56,283,920	(54,105,665)	2,178,254	Electricity	52,351,708	54,566,659	(74,675,636)	(51,796,081)	(22,323,928)
-	(1,478,422)	(1,478,422)	Other	-	-	(1,290,049)	(1,856,950)	(1,290,049)
149,319,965	(205,562,535)	(56,242,570)	Total	166,639,444	166,341,198	(215,406,461)	(157,064,270)	(48,767,018)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E1
RECONCILIATION OF TABLE A2 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

Description	2012/2013											2011/2012			
R thousand	Original 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 in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue - Standard															
Governance and administration															
Executive and council	2,705	94	2,799	–	–	2,799	5,410	–	2,611	93%	100%				5,233
Budget and treasury office	36,050	(298)	35,752	–	–	35,752	35,731	–	(21)	0%	-1%				30,475
Community and public safety															
Community and social services	1,113	119	1,232	–	–	1,232	1,394	–	163	13%	25%				1,456
Sport and recreation	86	–	86	–	–	86	355	–	269	314%	314%				79
Public safety	7,354	–	7,354	–	–	7,354	8,490	–	1,136	15%	15%				7,165
Housing	19	–	19	–	–	19	1,220	–	1,200	6285%	6285%				244
Health	1,001	–	1,001	–	–	1,001	–	–	(1,001)	-100%	-100%				–
Economic and environmental services															
Planning and development	18,483	–	18,483	–	–	18,483	746	–	(17,737)	-96%	-96%				4,034
Road transport	658	–	658	–	–	658	3,628	–	2,970	451%	451%				619
Trading services															
Electricity	63,176	(7,092)	56,083	–	–	56,083	52,352	–	(3,732)	-7%	-17%				56,284
Water	20,021	–	20,021	–	–	20,021	29,105	–	9,084	45%	45%				19,008
Waste management	31,134	–	31,134	–	–	31,134	28,209	–	(2,925)	-9%	-9%				24,722
Other	–	–	–	–	–	–	–	–	–	0%	0%				–
Total Revenue - Standard	181,799	(7,177)	174,622	–	–	174,622	166,639	–	(7,982)			–	–	–	149,320
Expenditure - Standard															
Governance and administration															
Executive and council	10,605	(175)	10,430			10,430	18,852	–	8,422	81%	78%				9,364
Budget and treasury office	30,274	(211)	30,063			30,063	24,069	–	(5,994)	-20%	-20%				23,550
Community and public safety															
Community and social services	7,651	(208)	7,443			7,443	5,895	–	(1,548)	-21%	-23%				4,960
Sport and recreation	3,599	–	3,599			3,599	3,299	–	(300)	-8%	-8%				33,001
Public safety	9,123	(450)	8,673			8,673	7,041	–	(1,631)	-19%	-23%				7,786
Housing	2,139	(1)	2,138			2,138	4,843	–	2,705	127%	126%				4,007
Health	217	–	217			217	79	–	(138)	-63%	-63%				133
Economic and environmental services															
Planning and development	6,444	(50)	6,394			6,394	17,171	–	10,777	169%	166%				5,641
Road transport	10,878	–	10,878			10,878	17,491	–	6,613	61%	61%				8,672
Trading services															
Electricity	52,585	1,140	53,725			53,725	74,676	–	20,951	39%	42%				54,106
Water	9,289	(700)	8,589			8,589	22,000	–	13,410	156%	137%				32,765
Waste management	22,810	(2,176)	20,634			20,634	18,700	–	(1,934)	-9%	-18%				20,100
Other	1,967	(110)	1,857			1,857	1,290	–	(567)	-31%	-34%				1,478
Total Expenditure - Standard	167,579	(2,940)	164,639	–	–	164,639	215,406	–	50,767			–	–	–	205,563
Surplus/(Deficit) for the year	14,219	(4,237)	9,982	–	–	9,982	(48,767)	–	(58,749)			–	–	–	(56,243)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E2
RECONCILIATION OF TABLE A3 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)

Vote Description	2012/2013											2011/2012			
R thousand	Original 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 in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue by Vote															
Executive and council	2,705	94	2,799	–	–	2,799	5,410	–	2,611	93%	100%				5,233
Budget and treasury office	36,050	(298)	35,752	–	–	35,752	35,731	–	(21)	0%	-1%				30,475
Community and social services	1,113	119	1,232	–	–	1,232	1,394	–	163	13%	25%				1,456
Sport and recreation	86	–	86	–	–	86	355	–	269	314%	314%				79
Public safety	7,354	–	7,354	–	–	7,354	8,490	–	1,136	15%	15%				7,165
Housing	19	–	19	–	–	19	1,220	–	1,200	6285%	6285%				244
Health	1,001	–	1,001	–	–	1,001	–	–	(1,001)	-100%	-100%				–
Planning and development	18,483	–	18,483	–	–	18,483	746	–	(17,737)	-96%	-96%				4,034
Road transport	658	–	658	–	–	658	3,628	–	2,970	451%	451%				619
Electricity	63,176	(7,092)	56,083	–	–	56,083	52,352	–	(3,732)	-7%	-17%				56,284
Water	20,021	–	20,021	–	–	20,021	29,105	–	9,084	45%	45%				19,008
Waste management	31,134	–	31,134	–	–	31,134	28,209	–	(2,925)	-9%	-9%				24,722
Other	–	–	–	–	–	–	–	–	–	0%	0%				–
Total Revenue by Vote	181,799	(7,177)	174,622	–	–	174,622	166,639	–	(7,982)			–	–	–	149,320
Expenditure by Vote to be appropriated															
Executive and council	10,605	(175)	10,430	–	–	10,430	18,852	–	8,422	81%	78%				9,364
Budget and treasury office	30,274	(211)	30,063	–	–	30,063	24,069	–	(5,994)	-20%	-20%				23,550
Community and social services	7,651	(208)	7,443	–	–	7,443	5,895	–	(1,548)	-21%	-23%				4,960
Sport and recreation	3,599	–	3,599	–	–	3,599	3,299	–	(300)	-8%	-8%				33,001
Public safety	9,123	(450)	8,673	–	–	8,673	7,041	–	(1,631)	-19%	-23%				7,786
Housing	2,139	(1)	2,138	–	–	2,138	4,843	–	2,705	127%	126%				4,007
Health	217	–	217	–	–	217	79	–	(138)	-63%	-63%				133
Planning and development	6,444	(50)	6,394	–	–	6,394	17,171	–	10,777	169%	166%				5,641
Road transport	10,878	–	10,878	–	–	10,878	17,491	–	6,613	61%	61%				8,672
Electricity	52,585	1,140	53,725	–	–	53,725	74,676	–	20,951	39%	42%				54,106
Water	9,289	(700)	8,589	–	–	8,589	22,000	–	13,410	156%	137%				32,765
Waste management	22,810	(2,176)	20,634	–	–	20,634	18,700	–	(1,934)	-9%	-18%				20,100
Other	1,967	(110)	1,857	–	–	1,857	1,290	–	(567)	-31%	-34%				1,478
Total Expenditure by Vote	167,579	(2,940)	164,639	–	–	164,639	215,406	–	50,767			–	–	–	205,563
Surplus/(Deficit) for the year	14,219	(4,237)	9,982	–	–	9,982	(48,767)	–	(58,749)			–	–	–	(56,243)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E3
RECONCILIATION OF TABLE A4 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

Description	2012/2013											2011/2012			
R thousand	Original 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 in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue By Source															
Property rates	18,397	(509)	17,888	—	—	17,888	17,220	—	(668)	-4%	-6%				14,337
Property rates - penalties & collection charges	—	—	—	—	—	—	103	—	103	100%	100%				223
Service charges - electricity revenue	43,767	(4,945)	38,823	—	—	38,823	48,279	—	9,456	24%	10%				45,757
Service charges - water revenue	16,902	—	16,902	—	—	16,902	16,434	—	(469)	-3%	-3%				15,574
Service charges - sanitation revenue	11,991	—	11,991	—	—	11,991	9,421	—	(2,571)	-21%	-21%				8,797
Service charges - refuse revenue	7,182	—	7,182	—	—	7,182	5,323	—	(1,859)	-26%	-26%				4,947
Service charges - other	139	119	258	—	—	258	428	—	170	66%	208%				466
Rental of facilities and equipment	499	—	499	—	—	499	947	—	448	90%	90%				587
Interest earned - external investments	734	211	945	—	—	945	1,595	—	650	69%	117%				585
Interest earned - outstanding debtors	741	—	741	—	—	741	494	—	(247)	-33%	-33%				1,116
Dividends received	—	—	—	—	—	—	—	—	—	0%	0%				—
Fines	7,025	—	7,025	—	—	7,025	4,987	—	(2,039)	-29%	-29%				6,703
Licences and permits	1,160	—	1,160	—	—	1,160	1,261	—	101	9%	9%				1,107
Other Gains on Continued Operations	—	—	—	—	—	—	1,907	—	1,907	100%	100%				43,887
Transfers recognised - operational	39,306	—	39,306	—	—	39,306	54,961	—	15,655	40%	40%				3
Other revenue	17,807	(2,148)	15,659	—	—	15,659	4,241	—	(11,418)	-73%	-76%				5,563
Gains on disposal of PPE	6	94	100	—	—	100	—	—	(100)	-100%	-100%				—
Total Revenue	165,658	(7,177)	158,481	—	—	158,481	167,600	—	9,120			—	—	—	149,654
Expenditure By Type															
Employee related costs	53,434	—	53,434	—	—	53,434	56,440	—	3,006	6%	6%				45,675
Remuneration of councillors	3,503	—	3,503	—	—	3,503	3,694	—	191	5%	5%				3,421
Debt impairment	8,217	(1,224)	6,993	—	—	6,993	6,873	—	(120)	-2%	-16%				16,971
Depreciation & asset impairment	7,924	—	7,924	—	—	7,924	68,925	—	61,001	770%	770%				68,668
Finance charges	1,121	—	1,121	—	—	1,121	1,041	—	(80)	-7%	-7%				1,284
Bulk purchases	38,142	3,298	41,440	—	—	41,440	38,781	—	(2,659)	-6%	2%				34,106
Other materials	11,017	—	11,017	—	—	11,017	12,080	—	1,063	10%	10%				7,920
Contracted services	6,989	(497)	6,493	—	—	6,493	7,257	—	765	12%	4%				8,687
Transfers and grants	12,630	(1,918)	10,712	—	—	10,712	305	—	(10,407)	-97%	-98%				788
Other expenditure	24,602	(1,896)	22,706	—	—	22,706	19,903	—	(2,803)	-12%	-19%				17,982
Inventory Written-off	—	—	—	—	—	—	40	—	40	100%	100%				61
Loss on Sale of Land	—	—	—	—	—	—	874	—	874	100%	100%				289
Loss on disposal of PPE	—	—	—	—	—	—	86	—	86	0%	0%				45
Total Expenditure	167,579	(2,236)	165,343	—	—	165,343	216,301	—	50,957			—	—	—	205,896
Surplus/(Deficit)	(1,922)	(4,941)	(6,863)	—	—	(6,863)	(48,701)	—	(41,838)			—	—	—	(56,243)
Transfers recognised - capital	16,141	—	16,141	—	—	16,141	—	—	—						
Surplus/(Deficit) for the year	14,219	(4,941)	9,278	—	—	9,278	(48,701)	—	(41,838)			—	—	—	(56,243)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E4
RECONCILIATION OF TABLE A5 BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Vote Description	2012/2013											2011/2012			
R thousand	Original 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 in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital expenditure - Vote															
Multi-year expenditure															
Community and social services	508	(208)	300	-	-	300	798	-	498	166%	57%	-	-	-	-
Water	10,178	-	10,178	-	-	10,178	6,911	-	(3,267)	-32%	-32%	-	-	-	1,836
Waste management	5,200	-	5,200	-	-	5,200	-	-	(5,200)	-100%	-100%	-	-	-	183
Capital multi-year expenditure sub-total	15,886	(208)	15,678	-	-	15,678	7,710	-	(7,968)			-	-	-	13,252
Single-year expenditure															
Executive and council	209	-	209	-	-	209	86	-	(123)	-59%	-59%	-	-	-	452
Budget and treasury office	1,683	(60)	1,623	-	-	1,623	432	-	(1,191)	-73%	-74%	-	-	-	597
Community and social services	808	-	808	-	-	808	58	-	(750)	-93%	-93%	-	-	-	211
Sport and recreation	95	-	95	-	-	95	42	-	(53)	-56%	-56%	-	-	-	-
Public safety	470	(50)	420	-	-	420	294	-	(126)	-30%	-37%	-	-	-	-
Housing	-	-	-	-	-	-	2	-	2	100%	100%	-	-	-	3,627
Health	20	-	20	-	-	20	-	-	(20)	-100%	-100%	-	-	-	-
Planning and development	19	-	19	-	-	19	5	-	(14)	-72%	-72%	-	-	-	60
Road transport	3,461	-	3,461	-	-	3,461	1,943	-	(1,519)	-44%	-44%	-	-	-	7
Electricity	800	(388)	412	-	-	412	3,145	-	2,733	663%	293%	-	-	-	172
Water	17	-	17	-	-	17	5	-	(11)	-68%	-68%	-	-	-	39
Waste management	652	-	652	-	-	652	-	-	(652)	-100%	-100%	-	-	-	100
Capital single-year expenditure sub-total	8,234	(498)	7,737	-	-	7,737	6,013	-	(1,724)			-	-	-	5,265
Total Capital Expenditure - Vote	24,120	(706)	23,415	-	-	23,415	13,722	-	(9,692)			-	-	-	18,517
Capital Expenditure - Standard															
Governance and administration															
Executive and council	209	-	209	-	-	209	86	-	(123)	-59%	-59%	-	-	-	452
Budget and treasury office	1,683	(60)	1,623	-	-	1,623	432	-	(1,191)	-73%	-74%	-	-	-	597
Community and public safety															
Community and social services	1,316	(208)	1,108	-	-	1,108	856	-	(252)	-23%	-35%	-	-	-	211
Sport and recreation	95	-	95	-	-	95	42	-	(53)	-56%	-56%	-	-	-	-
Public safety	470	(50)	420	-	-	420	294	-	(126)	-30%	-37%	-	-	-	-
Housing	-	-	-	-	-	-	2	-	2	100%	100%	-	-	-	3,627
Health	20	-	20	-	-	20	-	-	(20)	-100%	-100%	-	-	-	-
Economic and environmental services															
Planning and development	19	-	19	-	-	19	5	-	(14)	-72%	-72%	-	-	-	60
Road transport	3,461	-	3,461	-	-	3,461	1,943	-	(1,519)	-44%	-44%	-	-	-	9,579
Trading services															
Electricity	800	(388)	412	-	-	412	3,145	-	2,733	663%	293%	-	-	-	1,833
Water	10,195	-	10,195	-	-	10,195	6,917	-	(3,278)	-32%	-32%	-	-	-	1,875
Waste management	5,852	-	5,852	-	-	5,852	-	-	(5,852)	-100%	-100%	-	-	-	283
Total Capital Expenditure - Standard	24,120	(706)	23,415	-	-	23,415	13,722	-	(9,692)			-	-	-	18,517
Funded by:															
Grants and subsidies	16,141	-	16,141	-	-	16,141	12,241	-	(3,900)			-	-	-	13,252
Internally generated funds	7,979	-	7,979	-	-	7,979	1,482	-	(6,498)			-	-	-	5,265
Total Capital Funding	24,120	-	24,120	-	-	24,120	13,722	-	(10,398)			-	-	-	18,517

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E5
RECONCILIATION OF TABLE A7 BUDGETED CASH FLOWS

Description	2012/2013							2011/2012	
R thousand	Original 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
	1	2	3	6	7	9	10	11	12
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	119,277	–	119,277	119,277	91,928	(27,349)	-23%	-23%	97,517
Government - operating	38,311	–	38,311	38,311	38,494	183	0%	0%	33,847
Government - capital	16,141	–	16,141	16,141	17,054	913	6%	6%	19,669
Interest	734	–	734	734	1,595	861	117%	117%	585
Dividends	1	–	1	1	–	(1)	-100%	-100%	–
Payments									
Suppliers and employees	(129,788)	–	(129,788)	(129,788)	(130,637)	(849)	1%	1%	(125,054)
Finance charges	(1,121)	–	(1,121)	(1,121)	(1,041)	80	-7%	-7%	(1,284)
Transfers and Grants	(12,805)	–	(12,805)	(12,805)	–	12,805	-100%	-100%	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	30,750	–	30,750	30,750	17,393	(13,358)			25,280
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	65	–	65	65	–	(65)	-100%	-100%	1
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	0%	0%	–
Decrease (increase) other non-current receivables	22	–	22	22	–	(22)	-100%	-100%	42
Decrease (increase) in non-current investments	–	–	–	–	79	79	0%	0%	44
Payments									
Capital assets	(24,085)	–	(24,085)	(24,085)	(13,767)	10,318	-43%	-43%	(19,304)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23,998)	–	(23,998)	(23,998)	(13,688)	10,310			(19,216)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	–	–	–	–	–	–	0%	0%	–
Borrowing long term/refinancing	–	–	–	–	–	–	0%	0%	–
Increase (decrease) in consumer deposits	105	–	105	105	43	(62)	-59%	-59%	71
Payments									
Repayment of borrowing	(2,350)	–	(2,350)	(2,350)	(2,275)	75	-3%	-3%	(2,050)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,245)	–	(2,245)	(2,245)	(2,231)	14			(1,979)
NET INCREASE/ (DECREASE) IN CASH HELD	4,507	–	4,507	4,507	1,473	(3,034)	-67%	-67%	4,085
Cash/cash equivalents at the year begin:	5,951	–	5,951	5,951	9,225	3,275	55%	55%	5,141
Cash/cash equivalents at the year end:	10,458	–	10,458	10,458	10,698	240			9,225

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June				
Equitable Share	Nat Treasury	14,301,000	11,279,000	8,580,000	162,000	14,301,000	11,279,000	8,580,000	162,000	-	N/a	Yes	N/a
Financial Management Grant	Nat Treasury	1,500,000	-	-	-	290,507	295,029	341,109	573,355	-	N/a	Yes	N/a
Municipal Infrastructure Grant	Nat Treasury	3,000,000	7,065,000	6,076,000	-	4,313,236	2,804,692	1,264,642	4,644,703	-	N/a	Yes	N/a
Municipal Systems Improvement Grant	Nat Treasury	800,000	-	-	-	800,000	-	-	-	-	N/a	Yes	N/a
DWAF Grant	DWAF	126,527	823,992	-	-	33,080	334,069	583,369	-	-	N/a	Yes	N/a
Hospital Electricity Grant	Province	-	-	-	-	1,651,517	600,837	1,268,253	65,262	-	N/a	Yes	N/a
Library Grant	Province	-	-	682,000	-	-	-	682,000	-	-	N/a	Yes	N/a
Department of Housing	Province	1,085,814	901,340	3,837,653	-	1,246,484	903,020	1,468,694	1,784,971	-	N/a	Yes	N/a
Housing Accreditation	Province	-	1,090,227	100,000	-	-	1,090,227	100,000	-	-	N/a	Yes	N/a
Nonzwakazi Revitalization Grant	Province	-	-	2,500,000	-	-	-	-	267,271	-	N/a	Yes	N/a
EPWP Incentive Grant	Province	400,000	300,000	300,000	-	-	83,973	107,953	574,278	-	N/a	Yes	N/a
Phundalwazi Grant	Province	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Fire Fighting Equipment	Other	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		21,213,341	21,459,559	22,075,653	162,000	22,635,824	17,390,847	14,396,020	8,071,839	-			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	458,558	-	169,375	24	-	-	627,956
Speaker							
Freddie MM	310,064	-	139,808	59,931	-	-	509,803
Other Councillors							
Kivedo MC	118,483	-	58,576	20,313	-	-	197,372
Jood J	118,483	-	58,576	20,313	-	-	197,372
Jonas VG	118,483	-	58,576	20,313	-	-	197,372
Thomas NS	138,779	-	58,576	18	-	-	197,373
Du Plessis WJ	118,483	-	58,580	20,298	-	-	197,361
Nyl GL	162,223	-	75,207	27,930	-	-	265,360
Nkumbi GL	118,483	-	58,576	20,313	-	-	197,372
Witbooi WA	118,483	-	58,576	20,313	-	-	197,372
Jaftha AF	122,085	-	59,992	20,968	-	-	203,046
Swanepoel B	121,205	-	59,646	20,802	-	-	201,653
Malherbe M	156,219	-	64,998	23,259	-	-	244,476
Rust HJ	176,206	-	53,039	30,448	-	-	259,693
Total for Councillors	2,356,239	-	1,032,100	305,240	-	-	3,693,580
Municipal Manager							
Visser I	610,943	134,211	180,285	109,251	128,578	103,993	1,267,262
Chief Financial Officer							
Manuel MF	575,356	322,774	81,297	102,216	191,760	13,318	1,286,720
Director: Corporate Services							
Diamane EV	428,915	91,132	122,724	119,842	-	17,722	780,335
Director: Technical Services							
Taljaard FD	632,835	94,418	127,589	113,402	93,412	6,253	1,067,910
Total for Senior Managers	2,248,050	642,535	511,895	444,711	413,750	141,287	4,402,227
Total for Management	4,604,289	642,535	1,543,995	749,951	413,750	141,287	8,095,808

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	426,477	-	158,865	6,284	-	-	591,626
Speaker							
Freddie MM	292,844	-	130,786	58,653	-	-	482,283
Other Councillors							
Kivedo MC	126,718	-	53,637	4,276			184,630
Jood J	111,891	-	53,637	19,087	-	-	184,614
Jonas VG	110,331	-	53,637	20,643	-	-	184,610
Thomas NS	129,605	-	53,637	998	-	-	184,240
Du Plessis WJ	110,331	-	53,637	20,643	-	-	184,610
Nyl GL	151,619	-	69,431	28,037	-	-	249,087
Nkumbi GL	123,746	-	53,637	9,185	-	-	186,568
Witbooi WA	110,331	-	53,637	20,643	-	-	184,610
Jaftha AF	110,331	-	53,637	20,643	-	-	184,610
Swanepoel B	110,331	-	53,637	20,643	-	-	184,610
Malherbe M	110,331	-	53,637	20,643	-	-	184,610
Rust HJ	151,619	-	69,431	28,037	-	-	249,087
Total for Councillors	2,176,503	-	964,878	278,417	-	-	3,419,797
Municipal Manager							
Visser I	466,476	129,888	195,124	76,443	-	132,339	1,000,270
Chief Financial Officer							
Manuel MF	513,792	124,584	128,431	94,029	-	61,388	922,225
Director: Corporate Services							
Diamane EV	335,173	16,000	64,938	93,742	-	10,431	520,284
Director: Technical Services							
Taljaard FD	566,408	80,595	111,999	103,501	-	21,697	884,200
Total for Senior Managers	1,881,849	351,068	500,492	367,715	-	225,854	3,326,978
Total for Management	4,058,352	351,068	1,465,370	646,132	-	225,854	6,746,776

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 ... to ..., which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets, the statement of comparison of budget and actual amounts and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2012 (Act No. 05 of 2012) (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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 2013, 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 54 to the financial statements, the municipality is the defendant in various claims and litigations to the amount of R1 515 739.00.

Restatement of corresponding figures

9. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the Emthanjeni Local Municipality at, and for the year ended, 30 June 2012.

Material under spending of the conditional grant

10. As disclosed in note 19 in the financial statements the municipality under spent on the various grants to the amount of R12 307 652:
11. As a consequence, the municipality has not achieved its objectives of providing infrastructure to the community.

Material losses

12. As disclosed in note 49.9 to the financial statements material losses to the amount of R10 369 635 were incurred as a result of bulk electricity and water purchases.

Material impairments

13. As disclosed in note 34 to the financial statements, material impairments to the amount of R6 872 760 were incurred as a result of recoverability of trade debtors

Additional matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury*

Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Usefulness of information

18. Section 46 of the Municipal Systems Act requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 47% of major variances as disclosed in the annual performance report. This was due to limitations placed on the scope of my work by the institution.

Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the reliability of the reasons for major variances.

19. The National Treasury *Framework for managing programme performance information (FMPPi)* requires that performance targets be measurable. The required performance could not be measured for a total of 34% of the targets. This was due to the fact that management was aware of the requirements of the FMPPi but did not receive the necessary training to enable application of the principles.
20. The National Treasury *Framework for managing programme performance information (FMPPi)* requires that the indicator should relate logically and directly to an aspect of the institution's mandate, the realisation of strategic goals and objectives. A total of 20 did not relate logically and directly to an aspect of the institution's mandate and realisation of strategic goals and objectives as per the five-year integrated development plan.
- This was due to the lack of development and implementation of proper performance planning and management practices to provide for the development of performance indicators and targets included in integrated development plan.

Reliability of information

21. The National Treasury *Framework for managing programme performance information (FMPPi)* requires that institutions should 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.
22. The reported performance information as a whole of Basic service are materially misstated.
23. This was due to the lack of standard operating procedures for the accurate recording of actual achievements and monitoring of the completeness of source documentation in support of actual achievements.

Additional matter

24. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

25. Of the total number of 100 planned targets, only 40 were not achieved during the year under review. This represents 40% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

26. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

27. The municipal council did not consult with the local community in the drafting and implementation of the municipality's IDP, by means of a municipal wide structure for community participation, as required by section 28 of the Municipal Systems Act and Municipal planning and performance management regulation 15(1)(a)(i).
28. The performance management system of the municipality did not provide for taking steps to improve performance with regard to those development priorities and objectives where performance targets are not met, as required by section 41 (1)(d) of the Municipal Systems Act.
29. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the Municipal Systems Act.
30. The municipality did not set measurable performance targets for the financial year with regard to each of the development priorities and objectives and key performance indicators set out in the IDP, as required by section 41(1)(b) of the Municipal Systems Act and the Municipal planning and performance management regulation 12(1) and 12(2)(e).
31. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the Municipal Finance Management Act.
32. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the Municipal Systems Act and Municipal planning and performance management regulation 14(1)(a).
33. The internal audit unit did not assess the functionality of the performance management system, as required by Municipal planning and performance management regulation 14(1) (b)(i).
34. The internal audit unit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal planning and performance management regulation 14(1)(b)(iii)
35. The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal, as required by Municipal planning and performance management regulation 14(1) (c).
36. A performance audit committee was not in place and the audit committee established in terms of Municipal Finance Management Act, section 166(1) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a)

Budgets

37. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the Municipal Finance Management Act.

Financial statements, performance and annual reports

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
39. Oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2012 annual report was tabled, as required by section 129(1) of the Municipal Finance Management Act.

Audit committees

40. An audit committee was not in place, as required by section 166(1) of the Municipal Finance Management Act. This resulted in all functions that are required to be performed by the audit committee not being fulfilled.

Internal Audit

41. The internal audit unit did not function as required by section 165(2) of the Municipal Finance Management Act, in that:
 - it did not report to the audit committee on the implementation of the internal audit plan.
 - it did not report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
42. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the Municipal Finance Management Act, the Division of Revenue Act and other applicable legislation, as required by section 165(2)(b)(vii) of the Municipal Finance Management Act.

Procurement and contract management

43. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by Supply Chain Management regulation 13(c).
44. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management regulation 17(a) & (c).
45. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Supply Chain Management regulation 28(1)(a)
46. Contracts were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
47. Quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act

Expenditure management

- 48. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.
- 49. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act

Consequences Management

- 50. Unauthorized, irregular, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the Municipal Finance Management Act.

Internal control

- 51. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

- 52. The accounting officer did not ensure that proper policy and procedures and internal control procedures are developed, implemented and monitored to report on the property plant and equipment of the municipality.
- 53. The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities in terms of maintaining the preparing the annual financial statements and compliance with the supply chain management regulations.
- 54. The accounting officer did not ensure that effective and adequate internal controls and systems are in place to ensure compliance with laws and regulations and pre-determined objectives. This is evidenced by the significant findings as reported in this audit report.

Financial and performance management

- 55. The financial statements were not sufficiently reviewed for completeness and accuracy prior to submission for auditing.
- 56. The municipality lacks skills regarding certain aspects of the financial reporting framework and performance management requirements. This resulted in the municipality engaging a consultant to prepare the financial statements. The underlying accounting records of the municipality did not always facilitate the preparation of the financial statements to comply with the accounting framework.
- 57. Management does not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.
- 58. There are no sufficient controls around daily processing between cash received and cash banked.

Governance

59. The audit committee has not been effective in ensuring that there is fully compliant with laws and regulations by the municipality.

Auditor-General
Kimberley

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence