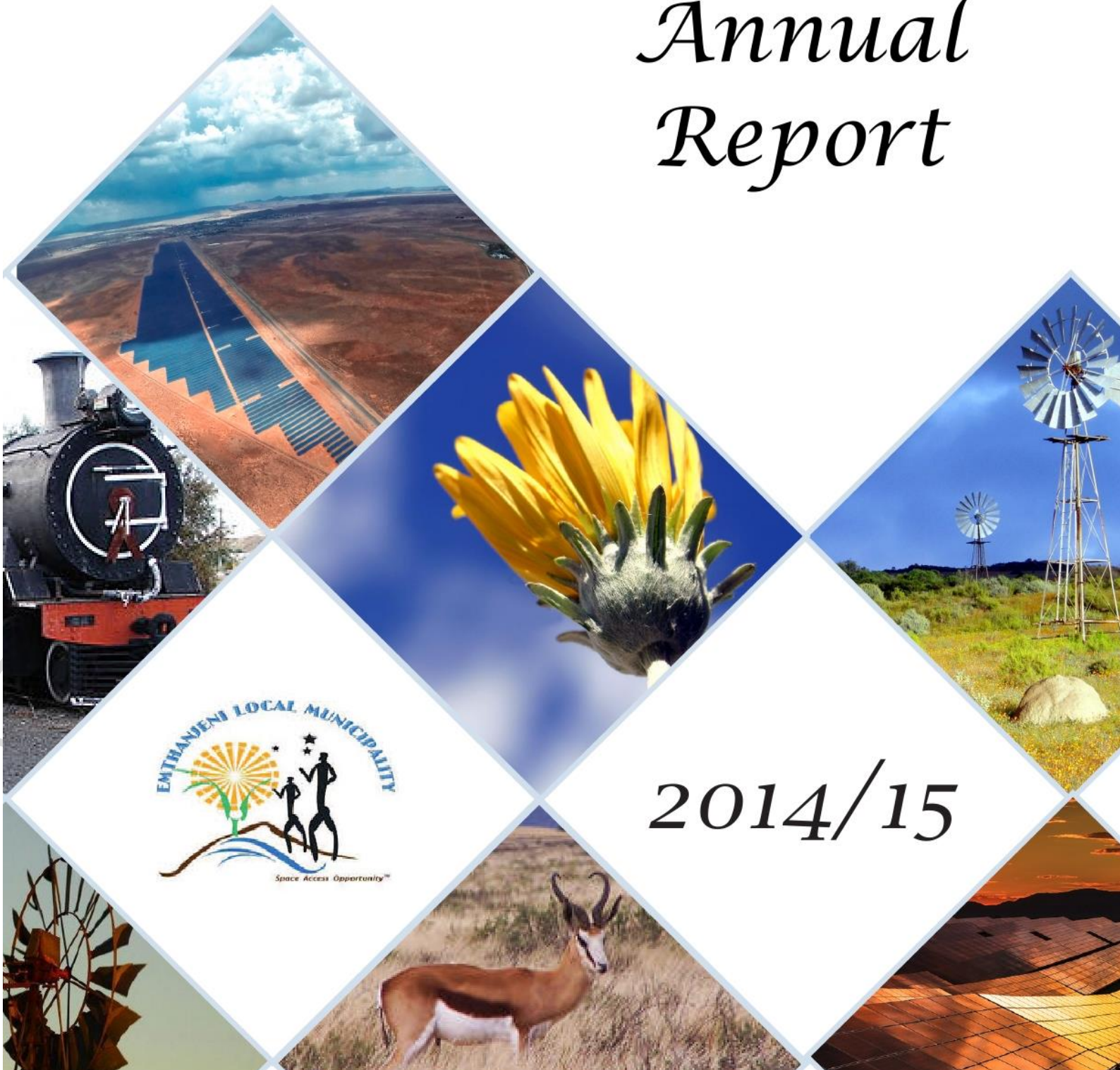


Emthanjeni Municipality

Annual Report

2014/15



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Chapter 1



Chapter 1: Executive Summary

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

It is a privilege and an honour for me to table the Annual Report for the 2014/2015 financial year. This is the last report I table as a Mayor on behalf of the Council collective, which was elected during the 2011 local government elections. The report is tabled as local government is once more preparing for the 5th local government elections. During my inauguration as Mayor in 2011, I committed the council to working hard towards achieving an unqualified audit opinion, which we did obtain in the 2011/2012 financial year. We further promised quality services, local economic development, and effective public participation process and effective stakeholder engagement and relationships aimed at the development of our Municipality.



This Annual Report of Emthanjeni Local Municipality for 2014/15 complies with the legal requirement as set out in section 46 of the Local Government: Municipal Finance Management Act No. 56 of 2003. The purpose of this report is also to inform and account to the public and stakeholders regarding the service delivery performance of the Municipality for 2014/2015.

The report will reflect inter-alia, on our attempt to conclude our term of office with an unqualified Audit Report with no unauthorised expenditure which we are confident will be achieved, constant engagement with communities and stakeholders, infrastructure development in the form of tarring of streets, improvement in Local Economic Development as assisted by the private sector in establishing outlets of national brands, Transnet and solar energy projects for job creation.

It is also important to note that this report will highlight the fact that for the first time in this Council budget under our leadership has exceeded R200 million. This reflects our population growth, increase in job creation projects by the Municipality, Government and private sector. The budget reflects the Municipality's spending on infrastructure projects.

Despite all our good achievements on service delivery, we continue to experience challenges such as non-payment for services by some of our residents, shortage of local skills for scarce skills programs, demand for houses and job creation initiatives. It is also worth noting that during this financial year we suffered great losses due to a number of our employees passing away and or retiring. May the souls of those who passed away rest in peace and those who have retired enjoy their leisure time after serving this institution with distinction.

In conclusion, let me thank the ordinary members of the community and our spiritual leaders for their constant prayers for our Municipality. We further appreciate the tremendous support from all our different stakeholders that made a positive contribution towards our success as Municipality, as our high standard of service delivery would not have been possible

Chapter 1: Executive Summary

without their assistance. Further let me express my appreciation for the support of every councillor, under the leadership of the Speaker of Council from the ruling party and opposition parties, employees for their excellent performance under the leadership of the Municipal Manager, and each and every resident of Emthanjeni Municipality.

I thank you.

ST STHONGA

EXECUTIVE MAYOR

Chapter 1: Executive Summary

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview

Another year of developing new strategies, improving skills, increasing service delivery and generally improving our capacity to excel in Local Government has come to an end. As we close yet another chapter in the history of the Emthanjeni Municipality, we look back on all the challenges we faced and reflect on how we managed to deal with them and exploit the many opportunities that were presented.

During this period the focus was placed on devising and further developing new ways of operating, new systems and structures, to consolidate the transformation of our current system of local government. We focused especially on service delivery and legislative compliance of systems, procedures and structures and to improve our audit opinion. This could, however, not be achieved without internal and external cooperative working relationships with all stakeholders.

The scope of work and achievements during the period under review cannot be fully captured in this report. However, I find solace in the knowledge that our public participation programmes and the level of transparency in our Municipality has ensured that you, the public, are aware of our activities at all times.

I owe a debt of gratitude to the Mayor, the Speaker, and the entire Council for the support they have given me and my management team to achieve the goals that we set for ourselves.

I also wish to sincerely thank all our partners within our community, our service providers, the District Municipality and both the national and provincial government departments, for their enthusiastic participation and assistance, as we continue to build a truly people-centred Emthanjeni Local Municipality brick by brick.

To all my staff - thank you very much. You are the real drivers of our programmes. Without your dedication all our endeavours to be truly responsive to the needs of all our residents would not materialize.

As we enter the next financial year, we pride ourselves in the knowledge that we are always striving to do our best, sparing no effort for the sake of our communities and future generations. The road travelled thus far has not been without obstacles. However, we find strength in the knowledge that the course we have embarked on is both worthy and right.



Chapter 1: Executive Summary

Appended below is a full account of the services rendered by each respective Directorate. I submit this overview in appreciation of support rendered by the community, the unequivocal support and cooperation of the staff of Emthanjeni Municipality and with grateful acknowledgement of the political guidance of the Councillors.

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 2014/15 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2014 to 30 June 2015. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 Vision and Mission

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

Vision:

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

Mission:

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

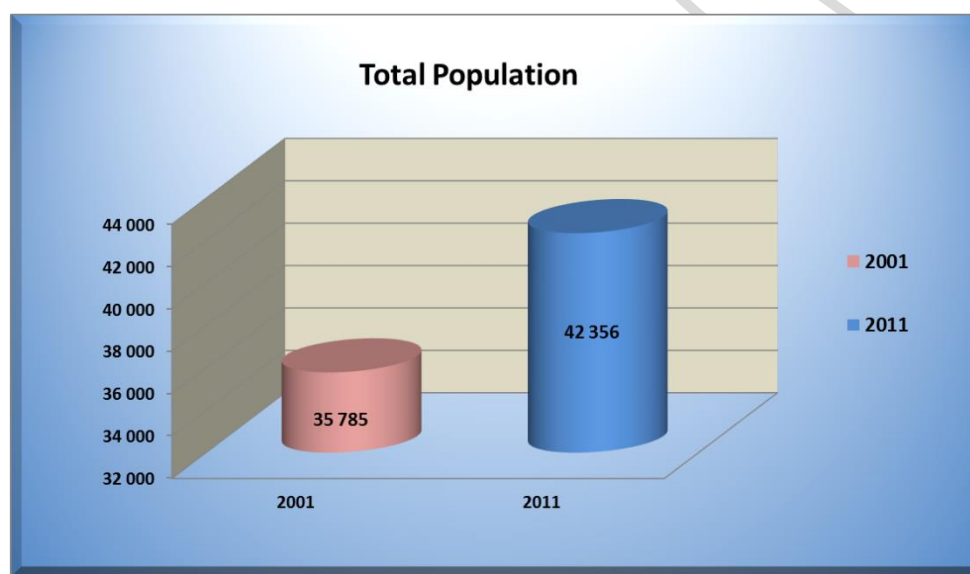
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1.3 Municipal Functions, Population and Environmental Overview

1.3.1 Population

a) Total Population

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



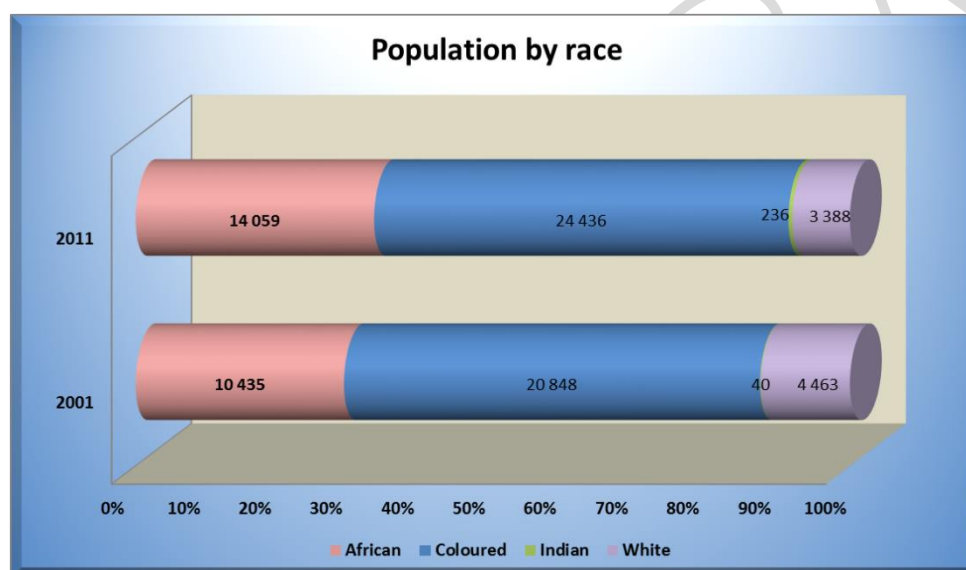
Graph 1.: Total Population

| 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

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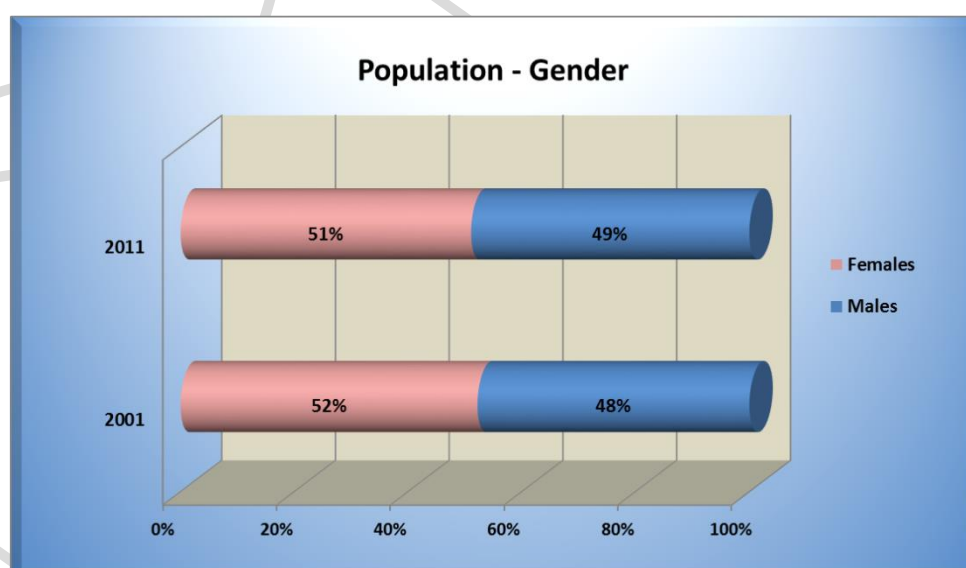
Graph 2.: Population by race

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 |

Source: Census 2001 & 2011

Table 2.: Gender Statistics



Graph 3.: Population - Gender

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b) Population profile

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

Table 3.: Population profile

1.3.2 Households

The total number of indigent households within the municipal area increased from 2 726 households in the 2013/14 financial year to a total of 2 989 households in the 2014/15 financial year. This indicates an increase of 263 in the total number of indigent households within the municipal area over the two years.

| Households | 2013/14 | 2014/15 |
|---|---------|---------|
| Number of households in municipal area | 12 615 | 12 615 |
| Number of indigent households in municipal area | 2 726 | 2 989 |

Table 4.: Total number of households

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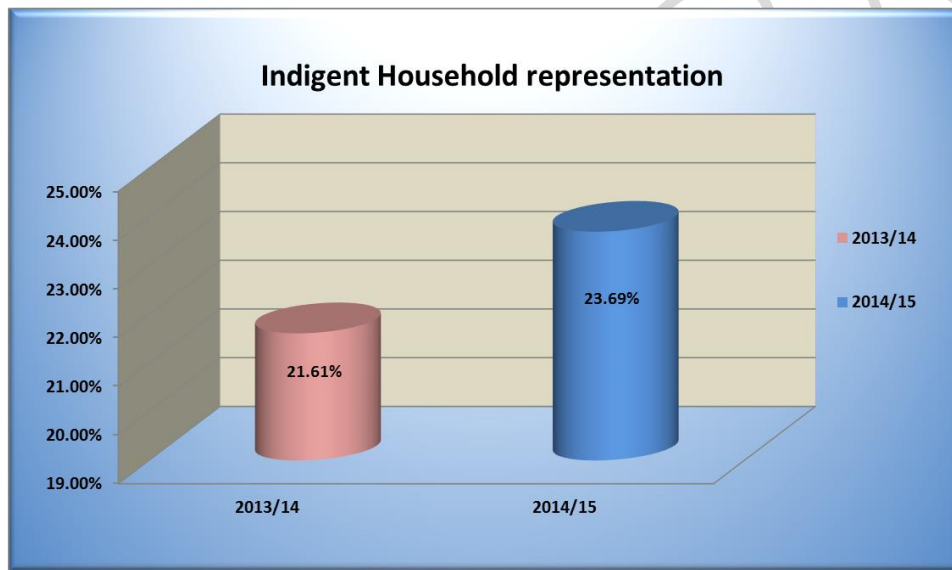


Table 5.: Indigent households

1.3.3 Demographic Information

Municipal Geographical Information

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

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

Of the main towns that fall within the municipal area, Hanover lies approximately 65 km east of De Aar on N1 main north to south route and Britstown is situated about 55 km west of De Aar on the N12 route. Both these main routes link Johannesburg and Cape Town. These areas are extensive stock farming areas with the emphasis on sheep, mutton and wool farming, especially Merino's.

Emthanjeni Municipality, specifically De Aar, is the seat of Pixley ka Seme District Municipality and hosts all government departments. The Municipality covers an area of approximately 11 390km².

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



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Figure 1: Northern Cape Area map

Wards

The Municipality was structured into the following 7 Wards:

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

Table 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.

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There are about 110km of railway lines, including 29 rail-tracks in De Aar's precincts. However, "De Aar" founded in 1904, was so named because of the many water-bearing arteries that occur underground. Unlike many other Karoo towns, it did not start around the Dutch Reformed Church, but in fact started around the railway line. De Aar boasts a weather station gathering climatic data which has literally put De Aar on the world map. De Aar has an average yearly rainfall of 300mm with the lowest minimum temperature of -10 °C, the highest maximum temperature of 40.7 °C, an average summer temperature of 24 °C and an average winter temperature of 14 °C. De Aar is situated at 1280 m above sea level and has an

average humidity of 43%. As a declared industrial growth point, with ample, very reasonably priced industrial sites, affordable labour and the necessary infrastructure, De Aar is the ideal place to establish an industry in the Northern Cape.

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

All the water used in the town comes from boreholes – which is why the town is known for its large number of wind pumps. The town is easily accessible by tarred road, two airfields serve it – one is an all-weather runway that can accommodate any type of aircraft and it's only 52km away from the national bus route.

Hanover

This attractive and historic little town on the N1 lies more or less halfway between Cape Town, Gauteng and Kwazulu-Natal. It was established in 1854 at the base of some rocky hills on the farm Petrusvallei, which was bought from Gert Gous. Here requested that the town be called Hanover, after his great grandfather's town in Germany.

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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.

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Britstown

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



Livingstone's friend

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

Diamonds provide the spark

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

A link with the gold mines

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

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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 highlights

| Highlights | Description |
|---|--|
| Good water quality | 100% passing rate of water samples as per SANS 241 |
| Completion of De Aar WWTW (Phase 1) | Upgrading of the WWTW so that effluent could comply with Department of Water and Sanitation (DWS) standards |
| Bucket Eradication Programme (BEP) | Gazette of the R33 million was for the BEP in Emthanjeni for the 2015/16 Financial Year. This will give dignity to communities. |
| Notified Maximum Demand (NMD) for all three towns upgraded successfully | Project completed in 2014/15 financial year. Therefore the municipality will no longer be charged penalties by Eskom for exceeding the NMD |
| Planning of 2 386 sites in De Aar | Planning was completed for 2 386 sites in De Aar |
| Planning of 800 sites in Britstown | Planning was completed for 800 sites in Britstown |

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| Highlights | Description |
|----------------------------------|---|
| Planning of 599 sites in Hanover | Planning was completed for 599 sites in Hanover |

Table 8.: Basic services delivery highlights

1.4.2 Basic services delivery challenges

| Challenge | Actions to address |
|--|--|
| Development of extra water sources (12 additional boreholes) | Obtain water use licenses (WUL) from the Department of Water and Sanitation (DWS) |
| Funding for Bucket Eradication Programme in Britstown and Hanover | Apply for additional funding for the Bulk Infrastructure to eradicate the buckets in Britstown and Utility Dry Sanitation in Hanover. The current backlog is 424 and 93 respectively |
| Meter tampering and bypass (Loss in revenue and increased line losses) | Meter controller to do thorough inspections and currently in process to replace the old seals with LG110 type. |
| Copper theft -Customers are without power for a long time due to line repairs | Cases reported to SAPD, copper conductors to be replaced with aluminium, but underground cables still remain a challenge. |
| Line losses –This reflects negatively against the municipality if above a certain target percentage and impacts on revenue | We remain committed to reduce losses even further at the moment we are way under the norm of NERSA. |
| Hanover and Britstown Landfill sites permitted | Approval was obtained from the Department of Environmental & Nature Conservation |
| Lack of machinery to perform waste management and minimisation efforts | Acquire additional machinery in 2015/2016 financial year. |
| Eradication of housing backlog | Compilation of business plans to apply for funding in order to eradicate the housing backlog |

Table 9.: Basic Services Delivery Challenges

1.4.3 Proportion of Households with access to Basic Services

| KPA & Indicator | Municipal Achievement | |
|--|-----------------------|---------|
| | 2013/14 | 2014/15 |
| Electricity service connections | 8 156 | 8 163 |
| Water - available within 200 m from dwelling | 8 156 | 8 163 |
| Sanitation - Households with at least VIP service | 7 296 | 7 303 |
| Waste collection - kerbside collection once a week | 8 094 | 8 246 |

Table 10.: Households with minimum level of Basic Services

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1.5 Financial Health Overview

1.5.1 Financial Viability Highlights

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

Table 11.: Financial Viability Highlights

1.5.2 Financial Viability Challenges

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

Table 12.: Financial Viability Challenges

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

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

| KPA & Indicator | 2013/14 | 2014/15 |
|---|---------|---------|
| Debt coverage ((Total operating revenue-operating grants received):debt service payments due within the year) | 9.81 | 7.68 |
| Service debtors to revenue – (Total outstanding service debtors: revenue received for services) | 0.33 | 0.55 |
| Cost coverage ((Available cash+ investments): Monthly fixed operating expenditure | 0.59 | 0.96 |

Table 13.: National KPI's for financial viability and management

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1.5.4 Financial Overview

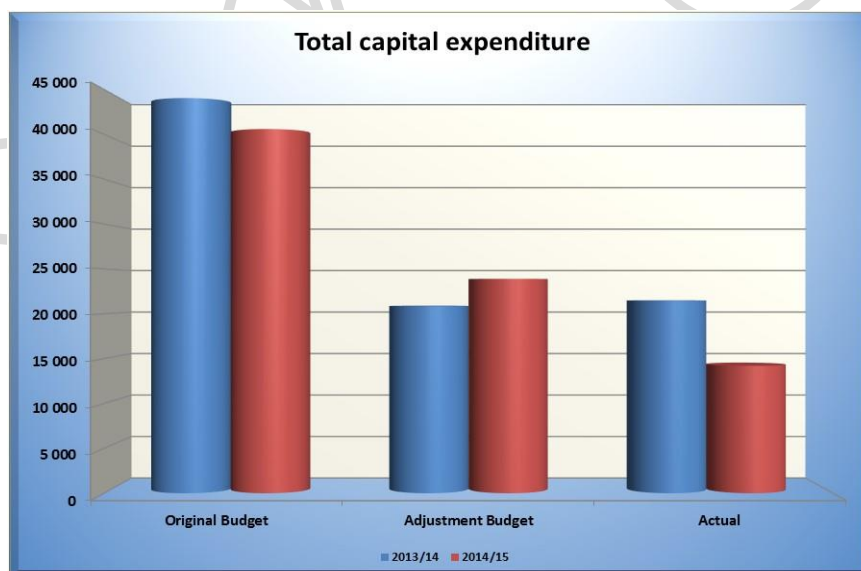
| Details | Original budget | Adjustment Budget | Actual |
|---------------------------|-----------------|-------------------|----------|
| | R'ooo | | |
| Income | | | |
| Grants | 39 633 | 39 633 | 39 770 |
| Taxes, Levies and tariffs | 135 428 | 131 129 | 149 319 |
| Other | 25 1131 | 19 131 | 7 251 |
| Sub Total | 200 192 | 189 893 | 196 340 |
| Less Expenditure | 201 667 | 202 004 | 254 283 |
| Net surplus/(deficit) | (1 475) | (12 111) | (57 944) |

Table 14.: Financial Overview

1.5.5 Total Capital Expenditure

| Detail | 2013/14 | 2014/15 |
|-------------------|----------------|--------------|
| | R'ooo | |
| Original Budget | 44 039 | 40 589 |
| Adjustment Budget | 20 834 | 23 899 |
| Actual | 21 458 | 14 194 |
| % Spent | 103.00% | 59.4% |

Table 15.: Total Capital Expenditure



Graph 4.: Total Capital Expenditure

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1.6 Auditor General Report

1.6.1 Audited Outcomes

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

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

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

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

- **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.
- **Unqualified audit with findings:** The financial statements contain material misstatements. Unless we express a clean audit come, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or these insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.
- **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- **Disclaimer of Audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.

| Year | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|------------------|-----------|-------------|-----------|-------------|
| Opinion received | Qualified | Unqualified | Qualified | Unqualified |

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1.7 2014/15 IDP/Budget Process

The table below provides details of the 2014/15 IDP/Budget process:

| No | Activity | Responsible person | Date |
|--|---|------------------------------------|---|
| Pre-Budgeting Processes/Tasks | | | |
| 1.1 | Appoint Budget task Team for compilation of 2014/2015 Capital & Operating Budget | MM & CFO | 15 August 2013 |
| 1.2 | Verifying Income and Expenditure sources | MM | 30 August 2013 |
| 1.3 | Investigate DORA for allocations | CFO | 8 November 013 |
| 1.4 | Evaluate possible roll over Capital projects | CFO | 11 October 2013 |
| 1.5 | Issuing of Budget guidelines and other departmental budget submission guidelines | MM | 13 December 2013 |
| 1.6 | Preparing of programme for IDP steering committee & community involvement meetings. | Mayor & MM | 20 September 2013 |
| 1.7 | Negotiation of new contracts and renegotiation of expired coontracts that will expire during the period to 30 June 2014 with supplies and other service providers. | MM, CFO, HOD's | 11 October 2013 |
| 1.8 | Requesting Budgetary inputs, suggestions, recommendations, possible sources of revenue from HOD's for respective departments. | MM & HOD's | 27 September 2013 |
| 1.9 | Calculate, investigate & identify over-and under spending on votes, departments such <ul style="list-style-type: none"> i. Once-off events ii. Recurrent events iii. Future tendencies of accounts | CFO & HOD's | 13 December 2013 |
| 1.10 | Finalization of IDP preliminary budget format | MM & HOD's | Continuous |
| 1.11 | Finalise outlay of budget on spreadsheets as prescribe according National treasury & MFMA. | MM & HOD's | Continuous |
| 1.12 | Proper record keeping of all activities within the pre-budgeting processes | MM & HOD's | Continuous |
| Community Participation Process | | | |
| 2.1 | IDP Steering committee meeting <ul style="list-style-type: none"> - First IDP input meeting - Sector departments Alignment meeting - Review IDP Meeting - Final prioritizing and sector departments meeting | Mayor, MM | 30 September 2013 14 October 2013 22 November 2013 7 February 2014 |
| 2.2 | Community IDP and Budget meetings <ul style="list-style-type: none"> i. Combined Ward Committee Meetings: All 7 wards | Mayor, WC, Cllrs, MM & CFO | 7 October 2013 |
| 2.3 | Community IDP Budget Input meetings <ul style="list-style-type: none"> 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 | Mayor, WC, Exco, Cllrs, MM & HOD's | 14 - 18 October 2013 |

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| No | Activity | Responsible person | Date |
|-----------------------------------|--|--------------------------------------|--------------------------------|
| | VII. Input meeting: ward 7 VIII. Input meeting: Business Community, Agricultural Community , NGO's | | |
| 2.4 | Performance Management Input meetings | Mayor, MM | 18 October 2013 |
| 2.5 | IDP Sectorial Meeting with Pixley Ka Seme District Municipal, regional Governments departments | Mayor, Cllrs, MM & HOD's | 7 February 2014 |
| 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 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 | Mayor, WC, Exco, MM & HOD's | 7 April 2014 to 22 May 2014 |
| 2.7 | Performance Audit Committee Meetings I. Report back Meetings II. Review meetings III. Final Prioritising Meetings | Mayor, MM and PMS Steering Committee | 7 October 2013 |
| Budget Preparatory Process | | | |
| 3.1 | Draw up current staff budget according N.T. | MM & HOD's | 27 September 2013 |
| 3.2 | Evaluate and record proposals and report back from HOD's (income & expenditure sources) | MM, CFO & HOD's | 25 October 2013 |
| 3.3 | Determine and calculate redemption and fiancé costs for 2014/2015 budget fin year. | CFO | 27 September 2013 |
| 3.4 | Preparations of Budgeted yearly Income and Expenditure levels, and Proposed draft tariffs | CFO | 1 November 2013 |
| 3.5 | Record all inputs received from IDP forums, Communities, Ward Committees and other stakeholders | Mayor, Cllrs, MM, CFO & HOD's | 18 October 2013 |
| 3.6 | Compile first draft with budgeted Inc & Exp | CFO | 2 December 2013 |
| 3.7 | Compile first draft with budgeted capital projects and financing source of project that links with IDP projects., including Draft SDBIP | Mayor, MM & CFO | 8 November 2013 |
| 3.8 | Distribute first draft of budget to mayor, Exco members, Cllrs, MM, HO's | Mayor, MM & CFO | 8 November 2013 |
| 3.9 | Budget Monitoring Meeting with Technical steering committee | Mayor, MM & CFO | 15 November 2013 |
| 3.10 | Setting of Strategic Objectives for the next MTEF period | Mayor, MM & CFO | 18 October 2013 |
| Budgetary Policies | | | |
| 4.1 | Finalization of Tariffs policies I. Personnel related policies II. Rates policy | Mayor, Exco, MM, CFO & HOD's | 14 March 2014 |

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| No | Activity | Responsible person | Date |
|--|--|--------------------|------------------|
| | III. Electricity policy IV. Water & sanitation policy V. Credit control Policy VI. Indigent Policy VII. Other services policies | | |
| 4.2 | Finalization IDP Review document | Mayor, MM | 7 March 2014 |
| 4.3 | Finalization of Strategies policies documents such as <ul style="list-style-type: none"> ▪ LED policy ▪ Spatial development policy(unlikely) ▪ Tourism policy ▪ Transport policy(do we need one?) ▪ Other strategies Policies | MM | 7 March 2014 |
| 4.4 | Finalization of compilation of Business plan for submission to government dept and Private institutions | MM | 7 March 2014 |
| 4.5 | Application of electricity tariff increment with NERSA | MIS & CFO | 29 November 2013 |
| 4.6 | BUDGET APPROVAL PROCESS | Mayor & MM | 30 May 2014 |
| Tabling of Budgets | | | |
| 5.1 | Submission of revised Integrated Development Planning to Mayor | MM | 14 March 2014 |
| 5.2 | Submit first draft of 2014/2015 capital and Operating Budget to Mayor | MM, CFO | 21/ March 2014 |
| 5.3 | Tabling of draft 2014/2015 Capital Operating Budget to Council | Mayor | 31 March 2014 |
| 5.4 | Tabling of Budgeting Policies to Council | Mayor | 31 March 2014 |
| 5.5 | Tabling of final 2014/2015 capital and Operating Budget | Mayor | 30 May 2014 |
| 5.6 | Submission of SDBIP to Mayor | MM | 30 May 2014 |
| Approval of Budget and Policies | | | |
| 6.1 | Approval of Revised Integrated Development Planning | Council | 30 May 2014 |
| 6.2 | Approval of Budgetary Policies <ul style="list-style-type: none"> I. Budget Policy II. Personnel related Policies III. Rates policy IV. Electricity policy V. Water & sanitation policy VI. Credit control Policy VII. Indigent Polity VIII. Other Services policies | Council | 30 May 2014 |
| 6.3 | Approval of Tariffs <ul style="list-style-type: none"> I. Rates tariffs II. Water tariffs III. Electricity tariffs IV. Sewerage tariffs V. Secondary tariffs as indicated in the list of tariffs | Council | 30 May 2014 |

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| No | Activity | Responsible person | Date |
|-------------------|---|--------------------|--------------|
| 6.4 | Approval of Budgets I. Capital Budget for 2014/2015 II. Operating Budget for 2014/2015 | Council | 30 May 2014 |
| 6.5 | Approval of SDBIP | Council | 28 June 2014 |
| Finalising | | | |
| 7.1 | Approval of SDBIP | Mayor | 28 June 2014 |
| 7.2 | Submission of Approved Budget and SDBIP to ▪ National treasury, PT & RT ▪ SALGA ▪ DHLG ▪ PIXLEY KA SEME | MM | 14 June 2014 |
| 7.3 | PUBLICATION OF HIGH LEVEL SUMMARY BYDGET & SDBIP I. Website II. Local Newspaper III. Hard Copies | MM | 14 June 2014 |

Table 16.: 2014/15 IDP/Budget Process

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CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

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

2.1 National Key Performance Indicators - Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance 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 |
|---|-----------------------|-----------------------|
| | 2013/14 | 2014/15 |
| 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) | 103% | 59.4% |

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

2.2 Performance Highlights - Good Governance and Public Participation

| Highlight | Description |
|---|--|
| Council's "Meet the People" quarterly program | The number of community members attending the council meets the people program is increasing each and every quarter and the notice for all these meeting is placed on local newspaper seven days before the seating of the first meeting |
| Council meetings | As required by legislation all council and council sub-committee are held as expected, notice council meeting is placed on local newspaper seven days in advance |
| Audit committee meetings | The Audit committee meetings are held as required by laws |

Table 18.: Good Governance and Public Participation Performance Highlights

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2.3 Challenges - Good Governance and Public Participation

| Description | Actions to address |
|--|---|
| Poor attendance of council budget input meeting by sector departments, business community and ward 5 community | Block meeting to be held Summary of draft budget to be advertised on local newspaper and also forwarded to sector department |
| In most cases community members raise personal issues instead of inputs to the budget | More ward meeting will be held where people can raise more personal issue |
| Not all ward committees are implementing ward operational plans | Monthly meeting of ward committee chairperson and secretaries to be held with the Speaker |
| Protest by community members to voice their dissatisfaction regarding service which are not the function of the municipality | During council Meets the People Program representatives from sector departments will be invited to respond on those functions |

Table 19.: Good Governance and Public Participation Challenges

2.4 Governance Structure

2.4.1 Political Governance Structure

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the 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 2014/15 financial year:

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

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| | | | |
|-------------|------------|------|--------------|
| J Rust | Councillor | DA | Proportional |
| B Swanepoel | Councillor | DA | Proportional |
| A Jaftha | Councillor | DA | Proportional |
| W Witbooi | Councillor | Cope | Proportional |

Table 20.: Council 2014/15

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 2014 to 30 June 2015:

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

Table 21.: Executive Committee 2014/15

c) Portfolio Committees

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

The portfolio committees for the 2011/16 Mayoral term and their Chairpersons are as follow:

| Corporate & HR Services Committee | |
|-----------------------------------|---------------|
| Chairperson | Other members |
| GL Nyl | G Jonas |
| | M Malherbe |

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| Infrastructure Services Committee | |
|-----------------------------------|---------------|
| Chairperson | Other members |
| G Nyl | J Jood |
| | W Witbooi |

| Municipal Public Accounts Committee | |
|-------------------------------------|---------------|
| Chairperson | Other members |
| B Swanepoel | GL Nkumbi |
| | M Kivedo |

| Rules Committee | |
|-----------------|---------------|
| Chairperson | Other members |
| MM Freddie | N Thomas |
| | A Jaftha |

Table 22.: Portfolio Committees

d) Political decision-taking

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

Municipal Council

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

Executive Mayor

- is the executive and political leader of the Municipality and is in this capacity supported by the mayoral committee;
- is the social and ceremonial head of the Municipality;



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- must identify the needs of the Municipality and must evaluate progress against key performance indicators;
- is the defender of the public's right to be heard;
- has many responsibilities with respect to the annual budget, the budget process, budget control and various other Financial matters; and
- Performs the duties and exercise the responsibilities that were delegated to him by the council.

Mayoral Committee

- its members are elected by the Executive Mayor from the ranks of councillors, with the exception of the Deputy Executive Mayor who is elected by the council and is an ex officio member of the mayoral committee;
- its functional responsibility area is linked to that of the Executive Mayor to the extent that he must operate together with the members of the mayoral committee;
- its primary task is to assist the Executive Mayor in the execution of his powers - it is in fact an “extension of the once of Executive Mayor”; and
- the committee has no powers of its own – decision making remains that of the Executive Mayor.

2.4.2 Administrative Governance Structure

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

| Name of Official | Department |
|------------------|-------------------------|
| I Visser | Municipal Manager |
| MF Manuel | Financial Services |
| EV Diamane | Corporate Services |
| MR Jack | Community Services |
| MJV Owies | Infrastructure Services |

Table 23.: Administrative Governance Structure

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COMPONENT B: INTERGOVERNMENTAL RELATIONS

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

2.5 Intergovernmental Relations

2.5.1 Intergovernmental Structures

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

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

Table 24.: Intergovernmental Structures

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2.5.2 Joint projects and functions with Sector Departments

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

| Name of Project/ Function | Expected Outcome/s of the Project | Sector Department/s involved | Contribution of Sector Department |
|---------------------------|--|--|--|
| National War on Poverty | Reduce poverty in identified poorest wards in municipal area | National Department of Rural Development | <ul style="list-style-type: none">Established steering committee with municipality and other provincial sector departments |
| Public Works Program | Reducing poverty and building better communities | National Government | Establish steering committee and funding of the projects |

Table 25.: Joint projects and functions with Sector Departments

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

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

2.6 Public Meetings

2.6.1 Ward Committees

The ward committees support the Ward 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.

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

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

Table 26.: Ward 1 Committee Meetings

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

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

Table 27.: Ward 2 Committee Meetings

c) Ward 3: Nonzwakazi, Portion of Waterdal

| Name of representative | Capacity representing |
|------------------------|-----------------------|
| N Nkontwana | Government Department |
| K Ninzi | NGO |
| N George | Women |
| T Tokwana | Sport |
| TP Mphephetho | Unemployed |
| EN Ralawe | Women |

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| Name of representative | Capacity representing |
|------------------------|-----------------------|
| M Davana | Cultural group |
| M Mokwena | Youth |
| B Madyo | Youth |
| B Maliti | Youth |

Table 28.: Ward 3 Committee Meetings

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

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

Table 29.: Ward 4 Committee Meetings

e) Ward 5: Town Area

| Name of representative | Capacity representing |
|------------------------|-----------------------|
| IJ van Zyl | Ordinary Member |
| CJ Duncan | Business Sector |
| GK Engelbrecht | Rotary Club |
| CJ Issel | Ordinary Member |
| HLE Appolis | Government Department |
| H Waters | Youth |
| M Morkel | Government Department |
| N Silo | Women |
| Z Mtwana | Youth |
| G Cona | Government Department |

Table 30.: Ward 5 Committee Meetings

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

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

Table 31.: Ward 6 Committee Meetings

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

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

Table 32.: Ward 7 Committee Meetings

2.6.2 Functionality of Ward Committee

The purpose of a ward committee is:

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

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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) |
|-------------|-------------------------------------|
| 1 | Yes |
| 2 | Yes |
| 3 | Yes |
| 4 | Yes |
| 5 | Yes |
| 6 | Yes |
| 7 | Yes |

Table 33.: Functioning of Ward Committees

2.6.3 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2014/15 financial year:

| Name of representative | Capacity |
|------------------------|------------|
| W Du Plessis | Councillor |
| GL Nyl | Councillor |
| N Thomas | Councillor |
| G Jonas | Councillor |
| I Visser | Official |
| MF Manuel | Official |
| EV Diamane | Official |
| M Jack | Official |
| V Mkosana | Imatu |
| A Boucher | Imatu |
| B Mantyi | Samwu |
| N Masum | Samwu |
| XL Oliphant | Samwu |
| L Kondile | Samwu |
| R Loliwe | Samwu |

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| Name of representative | Capacity |
|------------------------|----------|
| S Mantyi | 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.

2.7 Risk Management

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

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

Purpose and Scope

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

Objectives

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

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

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

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

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| Risk | Current Controls | Residual Risk exposure | Risk Owner | Action plans | Action Plan date |
|---|---|------------------------|------------|---|------------------|
| Under recovery of budgeted revenue | Consumer accounts, cut-off of electricity. Debt collection | High | CFO | Intensify payment awareness campaigns. New debt collection company appointed to collect debt. Continuous disconnection of electricity. | 2015/2016 |
| Cash flow constraints | Timeous posting of municipal accounts. Continuous enforcement of credit control | Medium | CFO | Intensify payment awareness campaigns. New debt collection company appointed to collect debt. Continuous disconnection of electricity. | Ongoing |
| Failure to ensure confidentiality of personnel information | Control register at HR for outgoing files for Managers & Auditors. Confidentiality form for HR personnel to fill in prior he/she work in that unit. | Low | DCS | Control register at HR for outgoing files for Managers & Auditors. Confidentiality form for HR personnel to fill in prior he/she work in that unit. | Ongoing |
| Delays to provide personnel files for audit purposes | Overtime and working after hours. | Medium | DCS | 1. Training of HR personnel. 2. Appointment of HR clerk. 3. Looking into acquiring an electronic filing system | Ongoing |
| Poor leave Management | Leave policy. Departmental leave plans. | Medium | MSS | Establish good working relations between the municipality and trade unions. Induction of new and existing staff | Ongoing |
| Theft | Inventory system and asset management system. Security and alarm system. CCTV in place | Medium | DCS | Access to monitor CCTV to be given to security services | 2015/2016 |
| Inadequate implementation of LED Strategy | District LED Forum, LED participatory committees at local level, LED mentorship programme | Low | DCS | Keep the current controls | Ongoing |
| Failure to stimulate and promote Local Economy | LED, marketing and investment strategy, investment incentives | Low | DCS | Keep the current controls | Ongoing |
| Failure to achieve community needs with regards to development(supporting SMME's) | Consultation with community to identify projects, participatory committees | Low | DCS | Keep the current controls | Ongoing |
| Loss of books | No control in place | High | DCOOMS | Appointment of security. Installation of CCTV cameras and burglar doors with controlled access. | 2015/2016 |

Table 35.: Top ten risks

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

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

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

| Name of Committee Member | Capacity | Meeting dates |
|--------------------------|-----------------------------|---------------|
| F Manuel | CFO | 26 March 2015 |
| V E Diamane | Director Corporate Services | |
| Z Mtwana | Risk Officer | |
| M R Jack | Director Community Services | |
| M Owies | Director Technical Services | |

Table 36.: Risk Committee

2.8 Anti-Corruption and Anti-Fraud

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

a) Developed Strategies

| Name of strategy | Developed (Yes/No) | Date Adopted |
|------------------------------------|--------------------|---------------|
| Anti-Corruption and Fraud Strategy | Yes | 26 March 2015 |

Table 37.: Strategies

b) Implementation of Strategies

| Strategies to implement | Key Risk Areas | Key measures to curb corruption and fraud |
|--|-------------------------------|---|
| Separation of duties at SCM was enforced | Manipulation of SCM Processes | Implement SCM regulation |
| Upgrade Traffic system (enatis) | Traffic Department | There must be system access limitation |
| Appoint Transport Officer | Corporate Services | Reduce loss of revenue on fuel |

Table 38.: 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;

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- risk management;
- performance Management; and
- effective Governance.

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

a) Functions of the Audit Committee

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

b) Members of the Audit Committee

| Name of representative | Capacity | Meeting dates |
|------------------------|-------------|------------------------------|
| D Olifant | Chairperson | 27 August 2014 |
| D Fourie | Member | 17 February 2015 |
| C Penderis | Member | 16 April 2015 26 May 2015 |

Table 39.: Members of the Audit Committee

2.10 Performance audit committee

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

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management. It is also a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

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

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

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

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

a) Functions of the Performance Audit Committee

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

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

b) Members of the Performance Audit Committee

| Name of representative | Capacity |
|------------------------|-------------|
| W. De Bruyn/ D Olifant | Chairperson |
| G Nyl | Member |
| A Jaftha | Member |

Table 40.: Members of the Performance Audit Committee

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2.11 Communication

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

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

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

| Communication activities | Yes/No | Date Approved/Completed |
|---|--------|-------------------------|
| Functional complaint management systems | Yes | 2012 |
| Customer satisfaction surveys | Yes | 2012 |

Table 41.: Communication Activities

Newsletters

| Type of Newsletter | Distributed |
|--------------------|-------------|
| Internal | Yes |
| External | Yes |

Table 42.: Newsletter

Awareness Campaigns

| Topic | Description | Dates | Target Groups | Number of People Reached |
|------------------------|-----------------|---------------|--|--------------------------|
| Substance Abuse | Dialogue | 20 March 2015 | 50 young people from location + the youth inside | 100 |
| HIV&AIDS Support group | Launch | April 2015 | 50 people affected and infected by HIV and AIDS | 50 |
| Teenage pregnancy | Clinic dialogue | 9 June 2015 | Teenage mothers and grandmothers | 40 |
| Substance abuse | Debate | 16 June 2015 | 100 young people | 38 |

Table 43.: Awareness Campaigns

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Additional Communication Channels Utilised

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

Table 44.: Additional Communication Channels Utilised

2.12 Website

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

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

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

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

| Description of information and/or document | Yes/No |
|--|--------|
| Municipal contact details (Section 14 of the Promotion of Access to Information Act) | |
| Full Council details | Yes |
| Contact details of the Municipal Manager | Yes |
| Contact details of the CFO | Yes |
| Physical address of the Municipality | Yes |
| Postal address of the Municipality | Yes |
| Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act) | |
| Draft Budget 2014/15 | Yes |
| Adjusted Budget 2014/15 | Yes |
| Asset Management Policy | Yes |
| Customer Care, Credit control & Debt collection Policy | Yes |
| Indigent Policy | Yes |
| Investment & Cash Management Policy | Yes |
| Rates Policy | Yes |
| Supply Chain Management Policy | Yes |
| Tariff Policy | Yes |
| Virement Policy | Yes |
| Travel and Subsistence Policy | Yes |

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| Description of information and/or document | Yes/No |
|---|--------|
| SDBIP 2014/15 | Yes |
| Budget and Treasury Office Structure | Yes |
| Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act) | |
| Reviewed IDP for 2014/15 | Yes |
| IDP Process Plan for 2014/15 | Yes |
| Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e)&(f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation) | |
| List of capital assets that have been disposed | Yes |
| Long Term borrowing contracts | Yes |
| SCM contracts above R30 000 | Yes |
| Section 37 of the MFMA; No 56 of 2003 (Unsolicited Bids/Contracts) | Yes |
| Public invitations for formal price quotations | Yes |
| Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act) | |
| Annual Report of 2013/14 | Yes |
| Oversight reports | Yes |
| Mid-year budget and performance assessment | Yes |
| Quarterly Reports | Yes |
| Monthly Budget Statement | Yes |
| Local Economic Development (Section 26(c) of the Municipal Systems Act) | |
| Local Economic Development Strategy | Yes |
| LED Policy Framework | Yes |
| Economic Profile | Yes |
| LED Projects | Yes |
| Performance Management (Section 75(1)(d) of the Municipal Finance Management Act) | |
| Performance Agreements for employees appointed as per S57 of Municipal Systems Act | Yes |

Table 45.: Website Checklist

Chapter 3



Chapter 3: Service Delivery Performance

CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2014/15 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 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.

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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 municipal services.

3.1.3 The performance system followed for 2014/15

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 2014/15 and approved by Council **29 May 2014**. 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 at directorate 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 during June 2014.

The Top Layer SDBIP was revised with the Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council. The following were considered in the development of the amended Top Layer SDBIP:

- Areas to be addressed and root causes of the Auditor-General management letter, as well as the risks identified during the 2013/14 audit
- Alignment with the IDP, National KPA's, Municipal KPA's and IDP objectives
- Alignment with the Adjustments Budget
- Oversight Committee Report on the Annual Report of 2013/14
- The risks identified by the Internal Auditor during the municipal risk analysis

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

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- Monthly projections of expenditure (operating and capital) and revenue for each vote
 - Section 71 format (Monthly budget statements)
- Quarterly projections of service delivery targets and performance indicators for each vote
 - Non-financial measurable performance objectives in the form of targets and indicators
 - Output not input / internal management objectives
 - Level and standard of service being provided to the community
- Ward information for expenditure and service delivery
- Detailed capital project plan broken down by ward over three years

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.
- KPI's to address the required National reporting requirements.

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.

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.
- A performance comment.
- Actions to improve the performance against the target set, if the target was not achieved.

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

3.1.4 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.

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Mid-year assessment and submission of the mid-year report to the Mayor in terms of section of Section 72(1)(a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the municipality during the first half of the financial year.

a) Municipal Manager and Managers directly accountable to the Municipal Manager

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance based agreements with the all 557-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2014/15 financial year was signed during **July 2014** 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 2013/14 financial year (1 January 2014 to 30 June 2014) took place on 9 September 2014 and the mid-year performance of 2014/15 (1 July 2014 to 31 December 2014) took place on 9 March 2015.

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 2014/15

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)

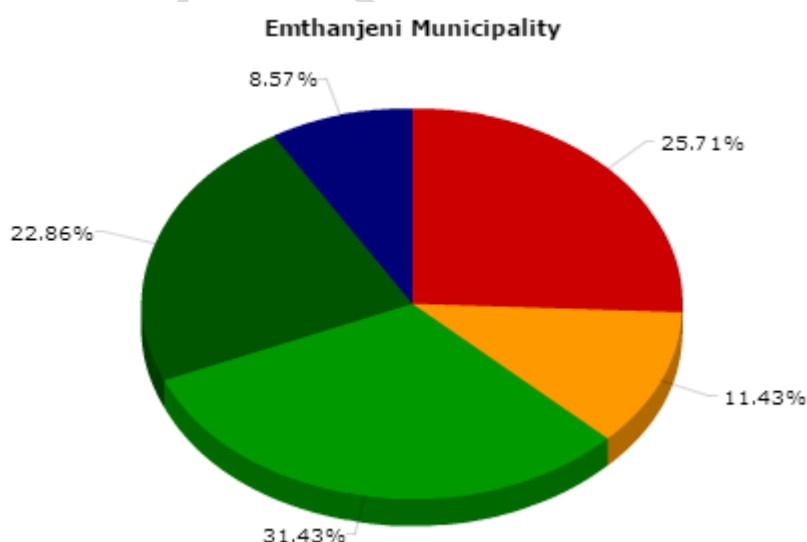
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the IDP (strategic) objectives.

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:

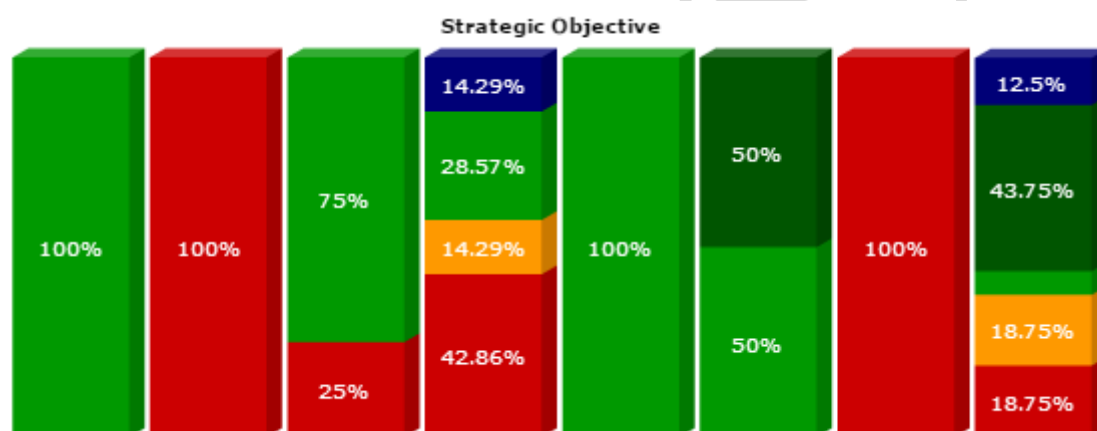
| Category | Colour | Explanation |
|------------------------|--------|---|
| KPI Not Yet Measured | | KPI's with no targets or actuals in the selected period |
| KPI Not Met | | $0\% \geq \text{Actual/Target} < 75\%$ |
| KPI Almost Met | | $75\% \geq \text{Actual/Target} < 100\%$ |
| KPI Met | | $\text{Actual/Target} = 100\%$ |
| KPI Well Met | | $100\% > \text{Actual/Target} < 150\%$ |
| KPI Extremely Well Met | | $\text{Actual/Target} \geq 150\%$ |

Figure 2: SDBIP Measurement Categories

The graph below displays the overall performance per Strategic objectives for 2014/15:



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| | Emthanjeni Municipality | Strategic Objective | | | | | | | |
|------------------------|-------------------------|---|---|---|---|---|--|--|--|
| | | Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties | Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor | Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives | Maintaining a financially sustainable and viable municipality | Promote a healthy environment for all residents of Emthanjeni | Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality | Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area | Provision of access to all basic services rendered to residents within available resources |
| KPI Not Met | 9 (25.7%) | - | 1 (100%) | 1 (25%) | 3 (42.9%) | - | - | 1 (100%) | 3 (18.8%) |
| KPI Almost Met | 4 (11.4%) | - | - | - | 1 (14.3%) | - | - | - | 3 (18.8%) |
| KPI Met | 11 (31.4%) | 3 (100%) | - | 3 (75%) | 2 (28.6%) | 1 (100%) | 1 (50%) | - | 1 (6.3%) |
| KPI Well Met | 8 (22.9%) | - | - | - | - | - | 1 (50%) | - | 7 (43.8%) |
| KPI Extremely Well Met | 3 (8.6%) | - | - | - | 1 (14.3%) | - | - | - | 2 (12.5%) |
| Total: | 35 | 3 | 1 | 4 | 7 | 1 | 2 | 1 | 16 |

Graph 5.: Top Layer SDBIP per Strategic objectives

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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 2014/2015 | | | | | | |
|------|--|--|------|---|-------------------------------|----|----|----|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL7 | Review the Community Safety Plan and submit to Council by end June | Community Safety Plan submitted to Council by end June | All | 1 | 0 | 0 | 0 | 1 | 1 | 1 | G |
| TL8 | Review the Disaster Management Plan and submit to the District Municipality by end March | Disaster Management Plan submitted to the District Municipality by end March | All | 1 | 0 | 0 | 1 | 0 | 1 | 1 | G |
| TL10 | Develop a Fire-arm Management policy and submit to Council by end June | Fire-arm Management policy submitted to Council by end June | All | New Key Performance Indicator for 2014/2015 | 0 | 0 | 0 | 1 | 1 | 1 | G |

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

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 2014/2015 | | | | | | |
|---|---|--|------|---------------------------|-------------------------------|----|----|----|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL5 | Review the Rural Development Strategy and submit to Council by end June | Rural Development Strategy submitted to Council by end June | All | 0 | 0 | 0 | 0 | 1 | 1 | 0 | R |
| Corrective measures for targets not achieved | | Funding restrictions resulted in the strategy being done internally. The strategy will be submitted to Council in the 2015/16 financial year | | | | | | | | | |

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

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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 Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|---|--|---|------|---|-------------------------------|----|----|-------|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL1 | 0.7% of the operating budget spent on training as per the approved skills development plan[(Actual total training expenditure/total operational budget)x100] | (Actual total training expenditure/total operational budget)x100 | All | 0.70% | 0% | 0% | 0% | 0.70% | 0.70% | 0.70% | G |
| TL2 | Review the Human Resource Plan and submit to Council by end June | Human Resource Plan submitted to Council by end June | All | 0 | 0 | 0 | 0 | 1 | 1 | 1 | G |
| TL3 | Establish a client service desk by end June | Service desk established by end June | All | 0 | 0 | 0 | 0 | 1 | 1 | 0 | R |
| Corrective measures for targets not achieved | | The possibility of establishing a Client Service Desk have been explored where prospective service providers have been requested to submit proposed solutions for the municipality. Once proposals are received the Client Service Desk will be established | | | | | | | | | |
| TL6 | The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with a municipality's approved employment equity plan | Number of people employed (appointed) | All | New Key Performance Indicator for 2014/2015 | 0 | 0 | 0 | 1 | 1 | 1 | G |

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

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Top Layer SDBIP - Maintaining a financially sustainable and viable municipality

| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|---|--|---|------|---------------------------|-------------------------------|----|----|--------|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL23 | Achieve an unqualified audit opinion | Audit opinion received | All | 1 | 0 | 0 | 1 | 0 | 1 | 0 | R |
| Corrective measures for targets not achieved | | An audit action plan has been approved. Progress on the audit action plan is being reported to MPAC. | | | | | | | | | |
| TL24 | Submit the annual financial statements by the end of August to the Auditor-General | Statements submitted to the AG by end August | All | 1 | 1 | 0 | 0 | 0 | 1 | 1 | G |
| TL25 | Financial viability measured in terms of the available cash to cover fixed operating expenditure (Available cash+ investments)/ Monthly fixed operating expenditure) | ((Available cash+ investments)/ Monthly fixed operating expenditure) | All | 0.59 | 0 | 0 | 0 | 0.5 | 0.5 | 0.96 | B |
| TL26 | Financial viability measured in terms of the municipality's ability to meet it's service debt obligations ((Total operating revenue-operating grants received)/debt service payments due within the year)) | (Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)) | All | 35 | 0 | 0 | 0 | 30 | 30 | 7.68 | R |
| Corrective measures for targets not achieved | | The Municipality will intensify the credit control activity to ensure that the payment for services are increasing. | | | | | | | | | |
| TL27 | Financial viability measured in terms of the outstanding service debtors ((Total outstanding service debtors/ revenue received for services)X100) | (Total outstanding service debtors/ revenue received for services)X100 | All | 64.50% | 0% | 0% | 0% | 20.50% | 20.50% | 54.60% | R |
| Corrective measures for targets not achieved | | A payment campaign will be developed and advocated by the Council to encourage consumers to pay their municipal services. | | | | | | | | | |

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| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|---|--|---|------|---------------------------|-------------------------------|----|----|-----|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL28 | Achievement of a payment percentage of above 80% ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100 | ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100 | All | 85% | 0% | 0% | 0% | 80% | 80% | 78.01% | O |
| Corrective measures for targets not achieved | | Payment campaigns need to be revived so that consumers pay their monthly services accounts timeously | | | | | | | | | |
| TL29 | Prepare and submit to Council the adjustments budget by the end of February, the draft budget by the end of March and the final budget by the end of May | Adjustments budget submitted by end February, Draft budget by end March and Final Budget by end May | All | 3 | 0 | 0 | 2 | 1 | 3 | 3 | G |

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

Top Layer SDBIP - Promote a healthy environment for all residents of Emthanjeni

| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|-----|---|---|------|---|-------------------------------|----|----|----|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL9 | Review the Integrated Waste Management Plan and submit to Council by end June | Integrated Waste Management Plan submitted to Council by end June | All | New Key Performance Indicator for 2014/2015 | 0 | 0 | 0 | 1 | 1 | 1 | G |

Table 50.: Top Layer SDBIP - Promote a healthy environment for all residents of Emthanjeni

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

| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|------|---|---|------|---------------------------|-------------------------------|----|----|-----|--------|--------|----|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL11 | Develop Risk based audit plan and submit to the audit committee for approval by end June | RBAP submitted to the audit committee by end June | All | 1 | 0 | 0 | 0 | 1 | 1 | 1 | G |
| TL12 | Implement the RBAP for the 2014/15 year ((Audits completed for the period / planned audits for the period)x100) | (Audits completed for the period / planned audits for the period)x100 | All | 70% | 0% | 0% | 0% | 70% | 70% | 100% | G2 |

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

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

| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|--|--|---|------|---------------------------|-------------------------------|----|----|-----|--------|--------|---|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL4 | Create jobs opportunities through the municipality's LED initiatives including capital projects. | Number of jobs opportunities created | All | 638 | 0 | 0 | 0 | 550 | 550 | 186 | R |
| Corrective measures for targets not achieved | | The target was unrealistic and future targets must be set more realistically. | | | | | | | | | |

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

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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 2014/2015 | | | | | | |
|---|--|---|------|---------------------------|-------------------------------|--------|--------|--------|--------|--------|----|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL13 | 90% of the water maintenance budget spent (Actual expenditure divided by the approved budget)x100) | % of approved water maintenance budget spent | All | 88% | 0% | 0% | 0% | 90% | 90% | 70% | O |
| Corrective measures for targets not achieved | | Monthly monitoring and evaluation on the spending on the Water operational votes must be done and monitored closely. | | | | | | | | | |
| TL14 | Limit % water unaccounted for to 19.5% [(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) × 100] | (Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) × 100 | All | 21.50% | 19.50% | 19.50% | 19.50% | 19.50% | 19.50% | 25.25% | R |
| Corrective measures for targets not achieved | | Boreholes get over-withdrawn, which leads to an inaccurate reading as air is measured as water. This issue will persist until extra boreholes are constructed. The project to develop 12 extra boreholes in order to address the problem are dependent on a WUL from DWS. Infrastructure Services will monitor progress with DWS. | | | | | | | | | |
| TL15 | 95% water quality as per SANS 241 requirements | % water quality level | All | 95.42% | 95% | 95% | 95% | 95% | 95% | 100% | G2 |
| TL16 | Complete the refurbishment of the De Aar WWTW by the end of June | Project completed | All | 2 | 0 | 0 | 0 | 1 | 1 | 1 | G |
| TL17 | 90% of the waste water maintenance budget spent ((Actual expenditure divided by the approved budget)x100) | % of approved waste water maintenance budget spent | All | 61% | 0% | 0% | 0% | 90% | 90% | 51% | R |
| Corrective measures for targets not achieved | | Monthly monitoring and evaluation on the spending on the Waste Water operational votes must be done and monitored closely. | | | | | | | | | |
| TL18 | Construct new surfaced roads | Number of kilometers constructed | All | 1.18 | 0 | 0 | 0 | 2 | 2 | 4.4 | B |

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| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|---|---|---|------|---------------------------|-------------------------------|----|----|-------|--------|--------|----|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL19 | 90% of the roads and stormwater maintenance budget spent (Actual expenditure divided by the approved budget)X100) | % of approved roads and stormwater maintenance budget spent | All | 78% | 0% | 0% | 0% | 90% | 90% | 70% | O |
| Corrective measures for targets not achieved | | Monthly monitoring and evaluation on the spending on the Roads and Stormwater operational votes must be done and monitored closely. | | | | | | | | | |
| TL20 | Reseal existing tar roads | Number of kilometers resealed | All | 1.45 | 0 | 0 | 0 | 1 | 1 | 0.5 | R |
| Corrective measures for targets not achieved | | In order to address this issue the planning of projects must start earlier to ensure that funds are spent in time. | | | | | | | | | |
| TL21 | Limit % electricity unaccounted for to 22% [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased] × 100 | (Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased × 100 | All | 13% | 0% | 0% | 0% | 22% | 22% | 11% | B |
| TL22 | 90% of the recreational and swimming pool maintenance budget spent ((Actual expenditure divided by the approved budget)X100) | % of approved recreational areas and swimming pool maintenance budget spent | All | 38% | 0% | 0% | 0% | 90% | 90% | 77.02% | O |
| Corrective measures for targets not achieved | | Monthly monitoring and evaluation on the spending on the recreational and swimming pool maintenance votes must be done and monitored closely. | | | | | | | | | |
| TL30 | Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network | Number of residential properties which are billed for water or have pre paid meters | All | 8156 | 0 | 0 | 0 | 8,000 | 8,000 | 8,163 | G2 |

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| Ref | KPI | Unit of Measurement | Ward | Previous Year Performance | Overall Performance 2014/2015 | | | | | | |
|------|--|---|------|---------------------------|-------------------------------|----|----|-------|--------|--------|----|
| | | | | | Target | | | | | Actual | R |
| | | | | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| TL31 | Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) | Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) | All | 8,156 | 0 | 0 | 0 | 8,000 | 8,000 | 8,163 | G2 |
| TL32 | Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) | Number of residential properties which are billed for sewerage | All | 8,156 | 0 | 0 | 0 | 8,000 | 8,000 | 8,163 | G2 |
| TL33 | Number of formal residential properties for which refuse is removed once per week | Number of residential properties which are billed for refuse removal | All | 8,094 | 0 | 0 | 0 | 8,000 | 8,000 | 8,163 | G2 |
| TL34 | Provide free basic electricity, water, sanitation and refuse removal to qualifying indigent households earning less than R3350 | Number of households receiving free basic services | All | 2,726 | 0 | 0 | 0 | 2,400 | 2,400 | 2,989 | G2 |
| TL35 | 90% of the electricity maintenance budget spent ((Actual expenditure divided by the approved budget)x100) | % of approved electricity maintenance budget spent | All | 75% | 0% | 0% | 0% | 90% | 90% | 94% | G2 |

Table 53.: Top Layer SDBIP - Provision of access to all basic services rendered to residents within available resources

Chapter 3: Service Delivery Performance

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 |
| 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 |

Chapter 3: Service Delivery Performance

| Municipal Function | Municipal Function (Yes/ 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 |
| Street lighting | Yes |
| Traffic and parking | Yes |

Table 54.: Functional Areas

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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 2014/15 financial year were 25.25% compared to 21.5% in 2013/14. This increase is a direct result of a drop in the water table and the watermeters measuring air as water pumped.

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

b) Highlights: Water Services

| Highlight | Description |
|--------------------|--|
| Good water quality | 100% passing rate of water samples as per SANS 241 |

Table 55.: Water Services Highlights

c) Challenges: Water Services

| Description | Actions to address |
|--|---|
| Development of extra water sources (12 additional boreholes) | Obtain water use licenses (WUL) from the Department of Water and Sanitation (DWS) |
| Staff shortages within water section | Vacancies to be filled within the 2015/16 financial year |

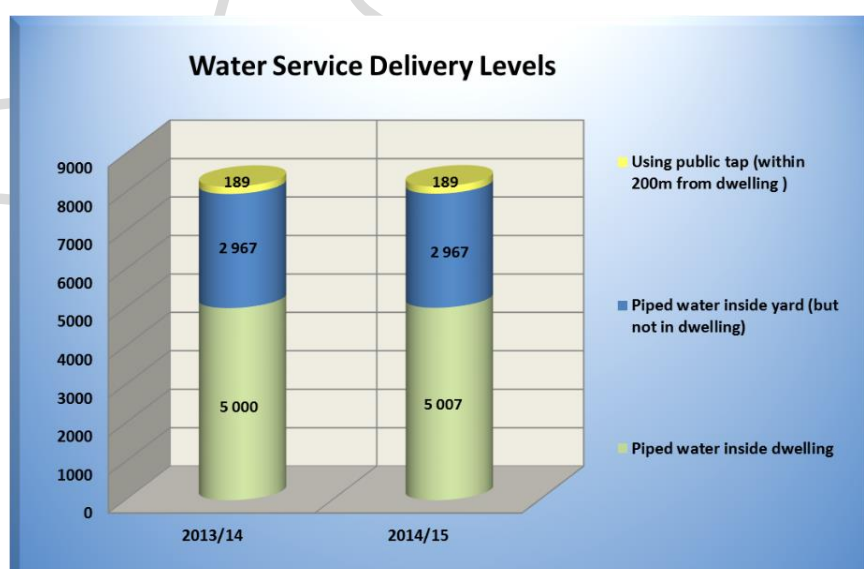
Table 56.: Water Services Challenges

Chapter 3: Service Delivery Performance

d) Service Delivery Levels: Water Services

| Households | | |
|---|--------------|--------------|
| Description | 2013/14 | 2014/15 |
| | Actual | Actual |
| | No. | No. |
| Water: (above min level) | | |
| Piped water inside dwelling | 5 000 | 5 007 |
| Piped water inside yard (but not in dwelling) | 2 967 | 2 967 |
| Using public tap (within 200m from dwelling) | 189 | 189 |
| Other water supply (within 200m) | 0 | 0 |
| Minimum Service Level and Above sub-total | 8 156 | 8 163 |
| Minimum Service Level and Above Percentage | 100 | 100 |
| Water: (below min level) | | |
| Using public tap (more than 200m from dwelling) | 0 | 0 |
| Other water supply (more than 200m from dwelling) | 0 | 0 |
| No water supply | 0 | 0 |
| Below Minimum Service Level sub-total | 0 | 0 |
| Below Minimum Service Level Percentage | 0 | 0 |
| Total number of households | 8 156 | 8 163 |
| Include informal settlements | | |

Table 57.: Water service delivery levels: Households



Graph 6.: Water Service Delivery levels

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| 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# |
| 2013/14 | 189 | 7 967 | 8 156 |
| 2014/15 | 189 | 7 859 | 8 163 |
| * Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute # 6,000 litres of potable water supplied per formal connection per month | | | |

Table 58.: Access to water

e) Employees: Water Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 10 | 5 | 5 | 50 |
| 4 - 6 | 7 | 5 | 2 | 28.6 |
| 7 - 9 | 2 | 1 | 1 | 50 |
| 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 | 21 | 13 | 8 | 38 |

Table 59.: Employees: Water Services

f) Capital: Water Services

| Water Services | | | | | |
|----------------------------|---------|-------------------|--------------------|-------------------------------|---------------------|
| R'000 | | | | | |
| Capital Projects | 2014/15 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Regional Bulk Water Supply | 16 640 | 100 | 100 | (16 540) | 16 540 |

Table 60.: Capital Expenditure 2014/15: Water Services

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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 had to be upgraded urgently and project approval has been obtained from MIG during the past year. The upgrading started during 2013/2014 and completion during 2014/15.

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

b) Highlights: Waste Water (Sanitation) Provision

| Highlight | Description |
|-------------------------------------|---|
| Completion of De Aar WWTW (Phase 1) | Upgrading of the WWTW so that effluent could comply with Department of Water and Sanitation (DWS) standards |
| Bucket Eradication Programme (BEP) | Gazette of the R33 million was for the BEP in Emthanjeni for the 2015/16 Financial Year. This will give dignity to communities. |

Table 61.: Waste Water (Sanitation) Provision Highlights

c) Challenges: Waste Water (Sanitation) Provision

| Description | Actions to address |
|---|--|
| Funding for Bucket Eradication Programme in Britstown and Hanover | Apply for additional funding for the Bulk Infrastructure to eradicate the buckets in Britstown and Utility Dry Sanitation in Hanover. The current backlog is 424 and 93 respectively |
| Shortage of staff in waste water section | Filling of the vacancies with experienced and qualified personnel |

Table 62.: Waste Water (Sanitation) Provision Challenges

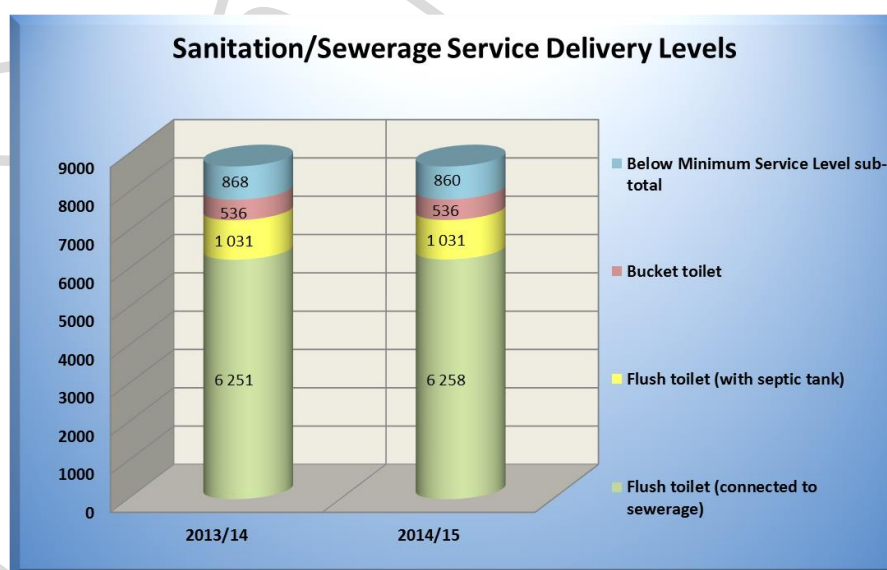
The table below specifies the different sanitation service delivery levels per households for the financial years 2013/14 and 2014/15 in the areas in which the municipality is responsible for the delivery of the service:

Chapter 3: Service Delivery Performance

d) Services Delivery levels: Sanitation

| Households | | |
|---|--------------|--------------|
| Description | 2013/14 | 2014/15 |
| | Outcome | Actual |
| | No. | No. |
| Sanitation/sewerage: (above minimum level) | | |
| Flush toilet (connected to sewerage) | 6 251 | 6 258 |
| Flush toilet (with septic tank) | 1 031 | 1 031 |
| Chemical toilet | 0 | 0 |
| Pit toilet (ventilated) | 14 | 14 |
| Other toilet provisions (above min.service level) | 0 | 0 |
| Minimum Service Level and Above sub-total | 7 296 | 7 303 |
| Minimum Service Level and Above Percentage | 89.46 | 89.46 |
| Sanitation/sewerage: (below minimum level) | | |
| Bucket toilet | 536 | 536 |
| Other toilet provisions (below min.service level) | 324 | 324 |
| No toilet provisions | 0 | 0 |
| Below Minimum Service Level sub-total | 860 | 860 |
| Below Minimum Service Level Percentage | 10.54 | 10.54 |
| Total households | 8 156 | 8 163 |
| Including informal settlements | | |

Table 63.: Sanitation service delivery levels



Graph 7.: Sanitation/Sewerage Service Delivery Levels

Chapter 3: Service Delivery Performance

e) Employees: Sanitation Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 11 | 11 | 0 | 0 |
| 4 - 6 | 8 | 7 | 1 | 13 |
| 7 - 9 | 5 | 1 | 4 | 80 |
| 10 - 12 | 0 | 0 | 0 | 0 |
| 13 - 15 | 0 | 0 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 24 | 19 | 5 | 21 |

Table 64.: Employees Waste Water (Sanitation) Provision

f) Capital: Sanitation Services

| R'000 | | | | | |
|---|---------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2014/15 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Upgrading of De Aar Waste Water Treatment Works | 6 000 | 6 000 | 43 | (5 957) | 6 000 |

Table 65.: Capital Expenditure 2014/15: 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 2013/14 financial year were 13% whilst the losses in the 2014/2015 financial year were 11%. This outcome gives an end result of 2% reduction in energy losses that is a huge achievement for the Municipality.

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.

Chapter 3: Service Delivery Performance

b) Highlights: Electricity

| Highlights | Description |
|--|--|
| Funding secured for the electricity upgrade in De Aar East – Integrated National Electrification Programme (INEP), funding obtained from the Department of Energy. | Network is overloaded and some areas experience power dips, we have to upgrade to increase the capacity. Will be implemented in 2015/16 Financial year |
| Hospital feeder upgraded to 2.5 MVA. The temporal supply of 500kva will be upgraded to 2.5MVA | Eskom feeder bay will be commissioned in September 2015 |
| Notified Maximum Demand (NMD) for all three towns upgraded successfully | Project completed in 2014/15 financial year. Therefore the municipality will no longer be charged penalties by Eskom for exceeding the NMD |
| Business plans in place for dark spots (Dark areas where there is no streetlights) | This project will be implemented in 2015/16 Financial year |

Table 66.: Electricity Highlights

c) Challenges: Electricity

| Description | Actions to address |
|--|---|
| Meter tampering and bypass (Loss in revenue and increased line losses) | Meter controller to do thorough inspections and currently in process to replace the old seals with LG110 type. |
| Copper theft -Customers are without power for a long time due to line repairs | Cases reported to SAPD, copper conductors to be replaced with aluminium, but underground cables still remain a challenge. |
| Line losses –This reflects negatively against the municipality if above a certain target percentage and impacts on revenue | We remain committed to reduce losses even further at the moment we are way under the norm of NERSA. |
| Electrification of 4114 Housing project -The applications to be submitted in time to secure funding to electrify the houses, the challenge is that not all houses built within a financial year might be funded in that year since there are many applications from various municipalities | Submit business plans to Department of Energy (DOE) for 4114 project |

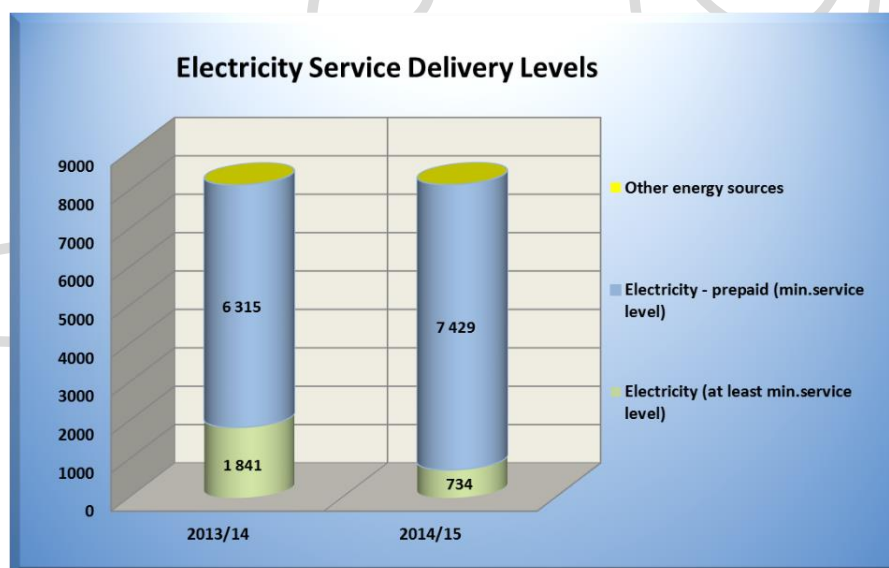
Table 67.: Electricity Challenges

Chapter 3: Service Delivery Performance

d) Service Delivery Levels: Electricity

| Households | | |
|---|--------------|--------------|
| Description | 2013/14 | 2014/15 |
| | Actual | Actual |
| | No. | No. |
| Energy: (above minimum level) | | |
| Electricity (at least min.service level) | 1 841 | 734 |
| Electricity - prepaid (min.service level) | 6 315 | 7 429 |
| Minimum Service Level and Above sub-total | 8 156 | 8 163 |
| Minimum Service Level and Above Percentage | 100 | 100 |
| Energy: (below minimum level) | | |
| Electricity (< min.service level) | 0 | 0 |
| Electricity - prepaid (< min. service level) | 0 | 0 |
| Other energy sources | 0 | 0 |
| Below Minimum Service Level sub-total | 0 | 0 |
| Below Minimum Service Level Percentage | 0 | 0 |
| Total number of households | 8 156 | 8 163 |

Table 68.: Electricity service delivery levels



Graph 8.: Electricity Service Delivery Levels

Chapter 3: Service Delivery Performance

e) Employees: Electricity

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 10 | 7 | 3 | 30 |
| 4 - 6 | 12 | 9 | 3 | 25 |
| 7 - 9 | 4 | 3 | 1 | 25 |
| 10 - 12 | 8 | 7 | 1 | 13 |
| 13 - 15 | 0 | 0 | 0 | 0 |
| 16 - 18 | 1 | 1 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 25 | 20 | 5 | 20 |

Table 69.: Employees: Electricity Services

f) Capital: Electricity

There were no capital projects for the 2014/15 financial year.

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) Highlights: Waste Management

| Highlights | Description |
|--|--|
| Hanover and Britstown Landfill sites permitted | Approval was obtained from the Department of Environmental & Nature Conservation |
| Cleaning campaigns | Dedicated cleaning campaigns were done throughout the year |
| Established of the Management team | A management team was established to manage waste in the municipal area |
| Appointed Waste Management Officer | A Waste Management Officer Control was appointed to manage the waste function |

Table 70.: Waste Management Highlights

Chapter 3: Service Delivery Performance

c) Challenges: Waste Management

| Description | Actions to address |
|--|---|
| Lack of machinery to perform waste management and minimisation efforts | Acquire additional machinery in 2015/2016 financial year. |
| Illegal dumping still evident | Host awareness programmes to educate the communities on keeping the environment clean |

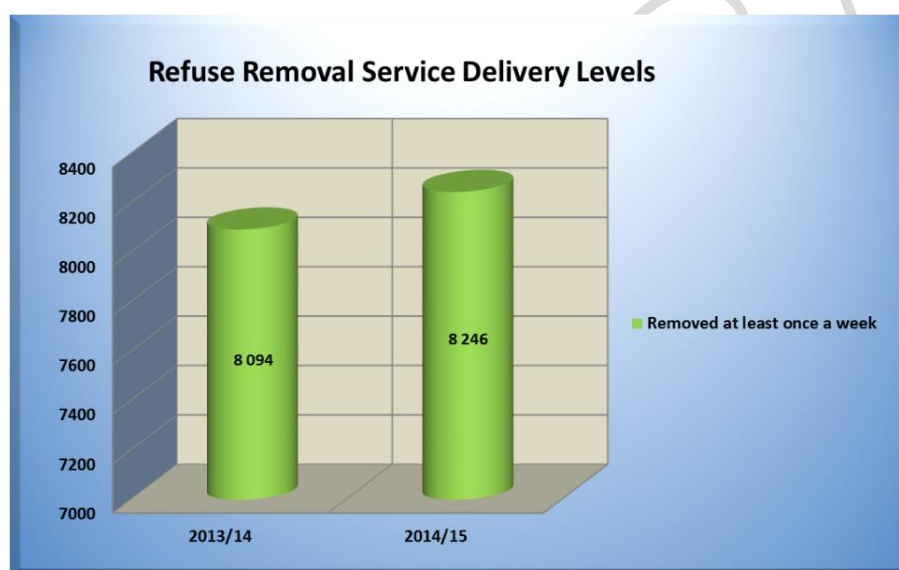
Table 71.: Waste Management Challenges

d) Service Delivery Levels: Waste Management

| Description | Households | |
|---|--------------|--------------|
| | 2013/14 | 2014/15 |
| | Actual | Actual |
| | No. | No. |
| Solid Waste Removal: (Minimum level) | | |
| Removed at least once a week | 8 094 | 8 246 |
| Minimum Service Level and Above sub-total | 8 094 | 8 246 |
| Minimum Service Level and Above percentage | 100 | 100 |
| Solid Waste Removal: (Below minimum level) | | |
| Removed less frequently than once a week | 0 | 0 |
| Using communal refuse dump | 0 | 0 |
| Using own refuse dump | 0 | 0 |
| Other rubbish disposal | 0 | 0 |
| No rubbish disposal | 0 | 0 |
| Below Minimum Service Level sub-total | 0 | 0 |
| Below Minimum Service Level percentage | 0 | 0 |
| Total number of households | 8 094 | 8 246 |

Table 72.: Waste Management Service Delivery Levels

Chapter 3: Service Delivery Performance



Graph 9.: Waste Management Service Delivery Levels

e) Employees: Solid Waste Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 50 | 39 | 11 | 22 |
| 4 - 6 | 9 | 8 | 1 | 11 |
| 7 - 9 | 4 | 2 | 2 | 50 |
| 10 - 12 | 0 | 0 | 0 | 0 |
| 13 - 15 | 2 | 2 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 65 | 51 | 14 | 22 |

Table 73.: Employees: Solid Waste Services

f) Capital: Solid Waste Services

There were no capital projects for the 2014/15 financial year.

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3.3.5 Housing

a) Introduction to Housing

Emthanjeni Municipality is informed of, and aligned to, all relevant legislative and policy imperatives as per approved and relevant to the delivery of Sustainable Human Settlements within De Aar, Britstown and Hanover. Herewith some of the legislative and policy documents that Emthanjeni subscribe to:

The provision of housing is addressed by a series of strategic documents, including the Constitution of the Republic of South Africa and the Housing Vision of the Government of South Africa.

Each person has the right to have access to adequate housing in accordance with Section 26 of the Constitution of South Africa, Act 108 of 1996. Furthermore government must, within the resources at its disposal, implement reasonable legislative and other measures to achieve the progressive materialization of this basic right (Republic of South Africa, 1996).

The Housing Act, Act 107 of 1997, defines the role and function of the national, provisional and local government with regards to housing development (Republic of South Africa, 1997). The execution of the Housing Act and several policies that deals with the provision of housing and national, provisional and local government level, are addressed by the strategic plan on the provision of housing in the Northern Cape, of the Department of Human Settlements of the Northern Cape Province.

The Municipal Systems Act, Act 32 of 2000, Section 25, requires that municipalities must compile an Integrated Development Plan for their management area and several sector plans that support the macro strategy of the IDP. The Integrated Sustainable Human Settlement plan is one of these sector plans. The new housing policy promotes a non-racial, integrated society through the development of sustainable human settlements and quality housing, (Breaking New Ground, 2004:7 BNG Policy).

The following overarching national legislations and policies were considered during the drafting of the Housing Sector Plan of the Municipality.

- The Constitution (Section 152 and 153)
- The Constitution Bill of Rights (Article 26)
- The Intergovernmental Relations Framework Act (2005)
- The Development Facilitation Act (of 1995)
- The Division of Revenue Act (of 2007)
- The National Housing Act (of 1997)
- The Municipal Structures Act (of 1998)
- The Municipal Systems Act (of 2003)
- The Municipal Finance Management Act (of 2003)

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

Housing need:

The housing backlog in Emthanjeni Municipality is a serious concern. The total backlog is 4141 of which 250 is for GAP Housing. Given the strategic decision to focus in the first instance on subsidy and Gap housing, the needs can be summarized as follows:

| | |
|----------------|-------|
| Subsidy | 3 891 |
| Gap | 250 |
| Total | 4 141 |

b) Highlights: Housing

| Highlights | Description |
|------------------------------------|--|
| Planning of 2 386 sites in De Aar | Planning was completed for 2 386 sites in De Aar |
| Planning of 800 sites in Britstown | Planning was completed for 800 sites in Britstown |
| Planning of 599 sites in Hanover | Planning was completed for 599 sites in Hanover |
| Consumer Education Programmes | Consumer Education Programmes has been rolled-out to the whole Emthanjeni Municipal Area |
| Adoption of Housing Sector Plan | Housing Sector Plan that guides housing development was adopted |

Table 74.: Housing Highlights

c) Challenges: Housing

| Description | Actions to address |
|---|---|
| Eradication of housing backlog | Compilation of business plans to apply for funding in order to eradicate the housing backlog |
| Performance by contractors | Training by NHBRC and COGHSTA provided to contractors |
| Funding from Provincial and National Government | Regular meetings to be conducted with both Government Departments in order to obtain funding |
| Selling of RDP houses - People selling houses and contributing to backlog | The selling of house will have to be monitored and action to addressed will have to be investigated |

Table 75.: Housing Challenges

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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 |
| 2013/14 | 8 209 | 7 905 | 96.3 |
| 2014/15 | 8 209 | 7 905 | 96.3 |

Table 76.: Households with access to basic housing

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

| Financial year | Number of housing units on waiting list | % Housing waiting list increase/(decrease) |
|----------------|---|--|
| 2013/14 | 4 114 | 2.8 |
| 2014/15 | 4 141 | 0.7 |

Table 77.: Housing waiting list

| Financial year | Number of houses built | Number of sites serviced |
|----------------|------------------------|-----------------------------------|
| 2013/14 | 115 | 470 |
| 2014/15 | 0 | Town Planning De Aar 2386 sites |
| 2014/15 | 0 | Town Planning Britstown 800 sites |
| 2014/15 | 0 | Town Planning Hanover 599 sites |

Table 78.: Houses built and sites services

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e) Employees: Housing

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 9 | 6 | 3 | 33 |
| 7 - 9 | 1 | 1 | 0 | 0 |
| 10 - 12 | 1 | 1 | 0 | 0 |
| 13 - 15 | 1 | 1 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 12 | 9 | 3 | 25 |

Table 79.: Employees: Housing

f) Capital: Housing

There were no capital projects for the 2014/15 financial year.

3.3.6 Free Basic Services and Indigent Support

a) Introduction

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

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

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

The table below indicates that 22.61% of the total number of households received free basic services in 2013/14 financial year whilst it increased to 24% in the 2014/15 financial year:

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| 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 | % |
| 2013/14 | 12 615 | 2 726 | 22.61 | 2 726 | 22.61 | 2 726 | 22.61 | 2 726 | 22.61 |
| 2014/15 | 12 615 | 2 989 | 24 | 2 989 | 24 | 2 989 | 24 | 2 989 | 24 |

Table 80.: 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 |
| 2013/14 | 2 333 | 38.76 | 1 085 | 9 889 | 38.76 | 0 | 393 | 38.76 | 183 |
| 2014/15 | 2 508 | 36.50 | 1 099 | 9 626 | 36.50 | 0 | 481 | 36.50 | 211 |

Table 81.: Free basic Water services to indigent households

| Water | | | | | | | |
|----------------|---------------------|----------------|-------|-------------------------|----------------|-------|--|
| Financial year | Indigent Households | | | Non-indigent households | | | |
| | No. of HH | R value per HH | Value | No. of HH | R value per HH | Value | |
| | | | R'000 | | | R'000 | |
| 2013/14 | 2 726 | 59.23 | 1 938 | 9 889 | 59.23 | 7 029 | |
| 2014/15 | 2 989 | 76.63 | 2 749 | 9 626 | 62.19 | 7 184 | |

Table 82.: 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 |
| 2013/14 | 2 726 | 143.50 | 4 694 | 9 889 | 143.50 | 0 |
| 2014/15 | 2 989 | 152.11 | 5 456 | 9 626 | 152.11 | 0 |

Table 83.: 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 |
| 2013/14 | 2 726 | (1) once | 2 927 | 9 889 | 89.48 | 0 |
| 2014/15 | 2 989 | (1) once | 3 402 | 9 626 | 94.84 | 0 |

Table 84.: Free basic Refuse Removal services to indigent households per type of service

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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 **3 500m²** road was resealed with a total of **900 man days** (jobs) created. At present 64% of all municipal streets are still gravel roads which cause a great deal of inconvenience following rain and during strong wind. During the past year the municipality tarred **4.68 km** of new streets from MIG funds.

b) Highlights: Roads

| Highlights | Description |
|--|---|
| A total of 4.621 km of new tar roads were constructed in Britztown and De Aar. | Britztown <ul style="list-style-type: none"> Biko Street – 140m Aster Street – 263.3m Buitekant Street – 470m Riet Street – 86.6m |
| | De Aar <ul style="list-style-type: none"> Seder Street – 502.9m Gladiola Street – 619.6m Arend Street – 858.3m Tokio Street – 943.8m Street 31 – 457.3m Street 11 – 280m |

Table 85.: Roads Highlights

c) Challenges: Roads

| Description | Actions to address |
|--|--|
| Delays experienced with re-sealing of roads | In order to address certain delays the SCM process should be started earlier in new financial year |
| Funding for the re-sealing of roads | Additional funding sources should be investigated to supplement own funding |
| A shortage of skilled staff with experienced | The filling of vacancies with qualified and experienced personnel should be addressed |

Table 86.: 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 |
| 2013/14 | 128.82 | 0 | 1.18 | 127.65 |

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| | | | | |
|---------|--------|---|------|--------|
| 2014/15 | 121.77 | 0 | 4.68 | 121.77 |
|---------|--------|---|------|--------|

Table 87.: Gravel road infrastructure

| Tarred Road Infrastructure: Kilometres | | | | | |
|--|--------------------|---------------|------------------------------|-------------------------------|----------------------|
| Year | Total tarred roads | New tar roads | Existing tar roads re-tarred | Existing tar roads re-sheeted | Tar roads maintained |
| 2013/14 | 75.72 | 1.18 | 0 | 1.45 | 73.09 |
| 2014/15 | 80.4 | 4.68 | 0 | 0.50 | 75.72 |

Table 88.: 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 | | |
| 2013/14 | 3 817 | 843 | 299 |
| 2014/15 | 10 029 | 172 | 1 825 |

* The cost for maintenance include stormwater

Table 89.: Cost of construction/maintenance of roads

e) Employees: Roads

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 19 | 15 | 4 | 21 |
| 4 - 6 | 20 | 12 | 8 | 40 |
| 7 - 9 | 7 | 5 | 2 | 29 |
| 10 - 12 | 1 | 1 | 0 | 0 |
| 13 - 15 | 0 | 0 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 47 | 33 | 14 | 30 |

Table 90.: Employees: Roads

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f) Capital: Roads

| Roads | | | | | |
|------------------|---------|-------------------|--------------------|-------------------------------|---------------------|
| R'000 | | | | | |
| Capital Projects | 2014/15 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| New Streets | 14 716 | 18 216 | 18 216 | 3 500 | 18 216 |

Table 91.: Capital Expenditure 2014/15: Roads

3.4.2 Waste water (Stormwater drainage)

a) Challenges: Waste Water (Stormwater Drainage)

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

Table 92.: Waste Water (Stormwater drainage) Challenges

b) Services Delivery Statistics

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

| Stormwater Infrastructure: Kilometres | | | |
|---------------------------------------|-------------------------|------------------------------|--------------------------------|
| Year | New stormwater measures | Stormwater measures upgraded | Stormwater measures maintained |
| 2013/14 | 0 | 0.5 | 2.5 |
| 2014/15 | 0 | 0.35 | 0.56 |

Table 93.: Stormwater infrastructure

c) Employees: Waste Water (Stormwater)

| Job Level | 2014/15 | | | |
|-----------|---------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 7 | 6 | 1 | 14 |
| 4 - 6 | 6 | 6 | 0 | 0 |
| 7 - 9 | 1 | 0 | 1 | 100 |
| 10 - 12 | 0 | 0 | 0 | 0 |

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| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | 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 | 14 | 12 | 2 | 14 |

Table 94.: Employees: Stormwater

e) Capital: Waste Water (Stormwater Drainage)

There were no capital projects for the 2014/15 financial year.

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

3.5.1 Planning

a) Introduction to Planning

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

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

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

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

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

Implementation of SPLUMA

The implementation of SPLUMA legislation is currently in progress and full implementation by municipalities is required with effect from 1 July 2015. The promulgation of National SPLUMA Regulations delayed the process and the Municipal By-laws had to be re-advertised.

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b) Highlights: Planning

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

Table 95.: Planning Highlights

c) Challenges: Planning

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

Table 96.: Planning Challenges

d) Statistics: Planning

| Applications for Land Use Development | | | | |
|---------------------------------------|----------------------------|---------|----------|---------|
| Detail | Formalisation of Townships | | Rezoning | |
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| Planning application received | 4 114 | 0 | 9 | 14 |
| Determination made in year of receipt | 0 | 0 | 9 | 2 |
| Determination made in following year | 4 114 | 3 861 | 2 | 0 |
| Applications withdrawn | 0 | 0 | 0 | 0 |
| Applications closed | 0 | 3 861 | 11 | 2 |
| Applications outstanding at year end | 4 114 | 0 | 0 | 12 |
| Awaiting DEA&DP decision | 0 | 0 | 0 | 0 |

Table 97.: Applications for Land Use Development

| Type of service | 2013/14 | 2014/15 |
|--------------------------------------|-------------|-------------|
| Building plans application processed | 102 | 102 |
| Total surface (m ²) | 9 444 | 12 509 |
| Approximate value | R29 705 154 | R30 165 863 |
| New residential dwellings | 12 | 29 |
| Residential extensions | 78 | 76 |
| New Business buildings | 5 | 1 |
| Business extensions | 1 | 5 |
| Land use applications processed | 9 | 17 |

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Table 98.: Additional Performance Town Planning and Building Control

e) Employees: Planning

| Job Level | 2014/15 | | | |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 0 | 0 | 0 | 0 |
| 7 - 9 | 0 | 0 | 0 | 0 |
| 10 - 12 | 2 | 1 | 1 | 50 |
| 13 - 15 | 1 | 1 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 3 | 2 | 1 | 33 |

Table 99.: Employees: Planning

f) Capital: Planning

| R'000 | | | | | |
|--------------------------------------|---------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2014/15 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Vehicles for infrastructure services | 6 000 | 6 000 | 0 | 0 | 6 000 |

Table 100.:Capital: 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 |
|--|--|
| Created jobs through LED and Capital projects | 186 jobs - LED and Capital projects |
| Created jobs through EPWP projects | 180 jobs - EPWP related projects |
| Created jobs through Community Work Programme (CWP) programs | 910 jobs - CWP community cleaning programs |
| Establishment of LED Forum | This forum is constituted mostly of SMME's as stakeholders |
| Hydroponics Project | It has expanded its structure due to the markets need |

Table 101.:LED Highlights



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b) Challenges: LED

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

| Description | Actions to address challenges |
|---|--|
| Lacking of financial support for projects | More private interventions should take place to bring potential funders on board |
| Mentoring of needy projects | More commitment from beneficiaries |
| Cooperation between Emthanjeni Municipality and the Local Private Sector – Local Business Chamber | More meetings should be held to encourage viable relations |
| Lobbying of chain stores especially Food Outlets | Embark on a serious lobbying and marketing campaign to encourage economic activity through private investment in Emthanjeni Municipality |

Table 102.:Challenges LED

c) LED Strategy

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

| Strategic areas | Description |
|--------------------------------------|---|
| Poverty alleviation and job creation | More jobs should be created to alleviate poverty |
| Marketing Strategy | A deployment of a clear Marketing Strategy can assist in lobbying investors |

Table 103.:LED Strategic areas

d) Job Creation: EPWP

| Details | EPWP Projects | Jobs created through EPWP projects |
|---------|---------------|------------------------------------|
| | No. | No. |
| 2013/14 | 11 | 530 |
| 2014/15 | 11 | 180 |

Table 104.:Job creation through EPWP projects

e) Tourism

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

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

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- Tourism infrastructure development

i) *Marketing Plan for Emthanjeni Tourism and Events*

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

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

Short Term Direction:

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

This includes producing and distributing branding / marketing collateral,

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

Medium Term Direction

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

Long Term Direction

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

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

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

Key Interventions

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

Tourism Indaba

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

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

Emthanjeni Municipality Attended the INDABA

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

ii) Highlights: Tourism

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

| Description | Actions to address challenges |
|---|--|
| Reconstruction of Garden of Remembrance | 10 Unemployed youth assisted by working at the garden for a week, to clean and maintain the broken gravestones |
| Heritage and Tourism Day celebrations | To inform communities about the cultural diversity and rich heritage within Emthanjeni Municipality and how tourism has transformed lives within the municipality |
| Data Collection Project | Data collected from stakeholders that form part of the Tourism Value Chain like accommodation, transport, retail, communications, arts and craft and tourists attraction |
| Branding | Name tags and municipal flags were designed to boost the image of the municipality |

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Table 105.:Highlights: Tourism

iii) Challenges: Tourism

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

| Description | Actions to address challenges |
|--|--|
| Absence of active marketing of Emthanjeni as a tourist destination | Attend trades shows such as Tourism Indaba and other shows like Beeld and Getaway |
| Human Resource capacity to drive tourism development | Employ support staff within the unit |
| Limited Budget for Tourism Strategy Implementation | Effective budgeting and financial planning process to be followed |
| Increased competition from more developed towns | Develop new and upgrade existing attractions to increase tourism demand of the municipality. |
| Vandalizing of Tourists Attractions | Attempt to implement strategies to decrease vandalism |
| Inadequate tourism infrastructure | Restore all buildings that have tourism value |

Table 106.:Challenges: Tourism

iv) Tourism Strategy

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

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

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

The key sub-sectors can be categorized as follows:

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

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

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

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

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

Objective

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

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

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

v) Accommodation Established

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

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

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

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

f) Employees: LED

| Job Level | 2014/15 | | | |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 0 | 0 | 0 | 0 |
| 7 - 9 | 0 | 0 | 0 | 0 |
| 10 - 12 | 5 | 4 | 1 | 20 |
| 13 - 15 | 1 | 1 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 6 | 5 | 1 | 17 |

Table 107.:Employees: Local Economic Development

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 Libraries

a) Introduction to Libraries

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

b) Highlights: Libraries

| Highlight | Description |
|---|---|
| Creation of Library Technical Service Committee | Made up of librarians of Emthanjeni Municipality, with the intention of creating a cohesive library service |
| Employment of 4 messengers | To help ease the constraints we have as far as returning of books is concerned |
| Employment of Chief Librarian | To help create a professional library services |

Table 108.:Libraries Highlights

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c) Challenges: Libraries

| Description | Actions to address |
|--|--|
| Installation of book detection system | Securing funds to purchase such a book detection system |
| Installation of SITA Library Information Management System (SLIMS) | This is being done in consultation with the Department of Sports, Arts and Culture |
| Policies for operational purposes for Libraries | Consultation with relevant stake holders |
| Late return of books | Additional staff and dedicated program in order to address this challenge |

Table 109.:Libraries Challenges

d) Service statistics for Libraries

| Type of service | 2013/14 | 2014/15 |
|--|---------|---------|
| Number of Libraries | 5 | 5 |
| Library members | 30 705 | 6 020 |
| Books circulated | 47 777 | 75 427 |
| Exhibitions held | 200 | 58 |
| Internet users | 610 | 817 |
| New library service points or Wheelie Wagons | 0 | 0 |
| Children programmes | 45 | 37 |
| Visits by school groups | 215 | 198 |
| Book group meetings for adults | 30 | 5 |

Table 110.:Service statistics for Libraries

e) Employees: Library Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | 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 |

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Table 111.: Employees: Libraries

f) Capital: Libraries

There were no capital projects for the 2014/15 financial year.

3.6.2 Cemeteries

a) Highlights: Cemeteries

| Highlights | Description |
|---|--|
| Introduction of burial application form | An application form was introduced for more control |
| Stopping of grave reservations | Reservation of grave was stopped, it caused problems with the availability of graves |
| Meetings with funeral undertakers | Better management and sharing information |
| Acceptable level of services | Service was rendered throughout the year with minimal complaints |

Table 112.: Cemeteries Highlights

b) Challenges: Cemeteries

| Description | Actions to address |
|--|--|
| Management System of cemeteries require improvement | Need to improve the administrative processes through introducing additional forms and to have regular meetings with affected parties |
| Continued vandalism, breaking of graves, fencing and invasion | Investigate possibilities of more security at cemeteries |
| Maintenance work not as expected | Stricter control will have to be implemented |
| Level of service –Certain funeral undertakers deliver poor quality service | Monitor service delivery and consult with undertakers |

Table 113.: Cemeteries Challenges

c) Service Statistics for Cemeteries

| Type of service | 2013/14 | 2014/15 |
|-----------------|---------|---------|
| Burials | 493 | 236 |

Table 114.: Service stats for Cemeteries

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3.7 COMPONENT E: SECURITY AND SAFETY

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

Introduction to Security & Safety

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

3.7.1 Traffic Services

a) Introduction to Traffic Services

Traffic law enforcement is to reduce the number of road accidents annually by 5% and furthermore to ensure a safe traffic flow. The aim is to bring all offenders of traffic violations to book to ensure 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 |
|-------------------------------------|--|
| Reduction in road traffic accidents | We had a reduction of 9% in accidents and the national target set is 5% |
| Senior Traffic Official appointed | With the appointment of a Senior Traffic Official the capacity of traffic services were improved |

Table 115.: Traffic Services Highlights

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c) Challenges: Traffic Services

| Challenges | Actions to overcome |
|---|--|
| Lack of adequately trained staff, drivers license and vehicle testing examiners | Training options for official will have to be investigated |

Table 116.:Traffic Services Challenges

d) Additional Performance Service statistics for Traffic Services

| Details | 2013/14 | 2014/15 |
|---|-----------|-----------|
| Number of road traffic accidents during the year | 395 | 359 |
| Number of by-law infringements attended | 413 | 400 |
| 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 | 18 084 | 20 516 |
| Learner driver licenses processed | 5 356 | 5 121 |
| R-value of fines collected | 3 508 590 | 3 652 135 |
| Roadblocks held | 28 | 24 |
| Complaints attended to by Traffic Officers | 120 | 299 |

Table 117.:Additional performance Service Statistics for Traffic Services

c) Employees: Traffic Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 4 | 4 | 0 | 0 |
| 4 - 6 | 2 | 2 | 0 | 0 |
| 7 - 9 | 10 | 9 | 1 | 10 |
| 10 - 12 | 3 | 3 | 0 | 0 |
| 13 - 15 | 1 | 1 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 20 | 19 | 1 | 5 |

Table 118.:Employees: Traffic Services

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d) Employees: Law Enforcement

| Job Level | 2014/15 | | | |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 5 | 5 | 0 | 0 |
| 7 - 9 | 0 | 0 | 0 | 0 |
| 10 - 12 | 0 | 0 | 0 | 0 |
| 13 - 15 | 0 | 0 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 5 | 5 | 0 | 0 |

Table 119.: Employees: Law Enforcement

e) Capital: Traffic

There were no capital projects for the 2014/15 financial year.

3.7.2 Fire Services and Disaster Management

a) Introduction to Fire Services and Disaster Management

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

b) Highlights: Fire Services and Disaster Management

| Highlights | Description |
|-------------------------|--|
| Reduction in fire call. | There was a reduction in fire call outs for the year under review |
| No agricultural fires | The veld fires we had for the years were contained within town boundaries and no reported fires on agricultural land |
| Attended to fires | Manage to address all callouts for fires within required timeframes |

Table 120.: Fire Services and Disaster Management Services Highlights

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c) Challenges: Fire Services and Disaster Management Services

| Challenges | Actions to overcome |
|--|---|
| Firefighting equipment | New fire apparatus and equipment needs to be procured for all towns in the area |
| Improve training for volunteers. | Investigate training service providers to provide training on site |
| Lack of funding from Province and District | Apply for additional funding to be provided to improve services |
| Lack of full time fire service | Redesign approach of in delivering the service |

Table 121.: Traffic Services Challenges

d) Service statistics for Fire Services

| Details | 2013/14 | 2014/15 |
|---|---------|---------|
| Total fires attended in the year | 22 | 17 |
| Total of other incidents attended in the year | 1 | 6 |
| Average turnout time - urban areas | 15 min | 15 min |
| Average turnout time - rural areas | ±30 min | ±30 min |
| Total Operational call-outs | 0 | 0 |
| Reservists and volunteers trained | 20 | 20 |
| Awareness Initiatives on Fire Safety | 0 | 0 |

Table 122.: Fire Service Data

e) Capital: Fire Services

There were no capital projects for the 2014/15 financial year.

3.8 COMPONENT F: SPORT AND RECREATION

3.8.1 Sport and Recreation

a) Highlights: Sport and Recreation

| Highlights | Description |
|-----------------------------------|---|
| Upgrading Nonzwakazi Sportgrounds | Planting of grass at Nonzwakazi Sportgrounds. This field will be utilized for soccer. The outstanding grass was delivered and planted |

Table 123.: Sport and Recreation Highlights

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b) Challenges: Sport and Recreation

| Description | Actions to address |
|--|---|
| Upgrading of Merino Park sport grounds. The sport grounds was vandalized and it deteriorated over the past years due to no grounds man to maintain it. | Investigate the possibility to appoint a grounds man in the new financial year |
| Upgrading of the new Tartar Athletics Track at De Aar West Sport ground. The tenders received was way more than the budgeted amount. | Additional funding must be sourced by Department of Cultural Affairs and Sport (DCAS) |

Table 124.:Sport and Recreation Challenges

c) Service statistics for Sport and Recreation

| Type of service | 2013/2014 | 2014/2015 |
|--|-----------|-----------|
| Community parks | | |
| Number of parks with play park equipment | 4 | 4 |
| Number of wards with community parks | 6 | 6 |
| Swimming pools | | |
| R-value collected from entrance fees | 26 099 | 88 993 |
| Sport fields | | |
| Number of wards with sport fields | 6 | 6 |
| R-value collected from utilization of sport fields | 25 435 | 13 643 |
| Sport halls | | |
| Number of wards with sport halls | 1 | 1 |
| Number of sport associations utilizing sport halls | 1 | 1 |
| R-value collected from rental of sport halls | 6 671 | 8 611 |

Table 125.:Additional performance information for Sport and Recreation

d) Employees: Parks and Cemeteries

| Job Level | 2014/15 | | | |
|-----------|---------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 40 | 28 | 12 | 30 |
| 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 |

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| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| Total | 41 | 29 | 12 | 30 |

Table 126.: Employees: Parks and Cemeteries

e) Employees: Sport and Recreation

| Job Level | 2013/14 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 – 3 | 13 | 10 | 3 | 23 |
| 4 – 6 | 0 | 0 | 0 | 0 |
| 7 – 9 | 1 | 1 | 0 | 0 |
| 10 – 12 | 12 | 9 | 3 | 25 |
| 13 – 15 | 0 | 0 | 0 | 0 |
| 16 – 18 | 0 | 0 | 0 | 0 |
| 19 – 20 | 0 | 0 | 0 | 0 |
| Total | 26 | 20 | 6 | 23 |

Table 127.: Sport and Recreation

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3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.9.1 Executive and Council

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

a) Highlights: Executive and Council

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

Table 128.:Executive and Council Highlights

b) Challenges: Executive and Council

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

Table 129.:Executive and Council Challenges

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c) Employees Corporate Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 13 | 11 | 2 | 15 |
| 4 - 6 | 10 | 8 | 2 | 20 |
| 7 - 9 | 4 | 2 | 2 | 50 |
| 10 - 12 | 6 | 6 | 0 | 0 |
| 13 - 15 | 2 | 2 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 35 | 29 | 6 | 17 |

Table 130.:Employees: Corporate Services

d) Employees: Office of the Municipal Manager

| Job Level | 2014/15 | | | |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 0 | 0 | 0 | 0 |
| 7 - 9 | 1 | 1 | 0 | 0 |
| 10 - 12 | 1 | 0 | 1 | 100 |
| 13 - 15 | 1 | 0 | 1 (frozen) | 100 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| 21 - 25 | 5 | 5 | 0 | 0 |
| Total | 8 | 6 | 2 | 25 |

Table 131.:Employees: Office of the Municipal Manager

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e) Employees: Technical Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0 |
| 4 - 6 | 10 | 8 | 2 | 20 |
| 7 - 9 | 2 | 2 | 0 | 0 |
| 10 - 12 | 3 | 3 | 0 | 0 |
| 13 - 15 | 1 | 1 | 0 | 0 |
| 16 - 18 | 0 | 0 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 16 | 14 | 2 | 13 |

Table 132.: Employees: Technical Services

3.9.2 Financial Services

a) Introduction: Financial Services

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

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

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

b) Highlights: Financial Services

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

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| Highlights | Description |
|------------|---|
| | audit opinion. This will lead to clean audit report for the municipality. |

Table 133.:Financial Services Highlights

c) Challenges: Financial Services

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

Table 134.:Financial Services Challenges

d) Employees: Financial Services

| Job Level | 2014/15 | | | |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 4 | 3 | 1 | 25 |
| 4 - 6 | 25 | 23 | 2 | 8 |
| 7 - 9 | 6 | 5 | 1 | 17 |
| 10 - 12 | 5 | 4 | 1 | 20 |
| 13 - 15 | 0 | 0 | 0 | 0 |
| 16 - 18 | 1 | 1 | 0 | 0 |
| 19 - 20 | 0 | 0 | 0 | 0 |
| Total | 41 | 36 | 5 | 12 |

Table 135.:Employees: Financial services

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3.9.3 Human Resource Services

a) Introduction to Human Resource Services

The Emthanjeni Municipality currently employs 353 (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 |
|--|--|
| Workplace Skills Plan was submitted on time to LGSETA | Submission was done electronically and receipt was confirmed |
| HR Plan was drafted and tabled to Council | The HR Plan went through the LLF and was adopted and recommended for approval and the Council approved the plan |
| The following Modules were procured: <ul style="list-style-type: none"> ■ HR Module ■ Leave Module ■ Employee Self Service Module ■ Post Module | These modules are assisting the staff at HR to ensure that there is an interface with the budget and also to reduce audit findings on leaves. Employees that are computer literate will be in a position to access certain services on the system as a result minimising the paper work. |

Table 136.:Human Resources Highlights

c) Challenges: Human Resources

| Description | Actions to address |
|---|--|
| Functionality of the LLF is not as it is expected to be as a result it delays the approval of some HR Policies as they are supposed to be discussed at LLF first. | The training for all members of the LLF so as to clarify the importance of having a functional LLF at the level of the municipality |
| The submission of timesheets by various departments which causes delays in the preparation of salaries | Timeous submission of timesheets by foremen and supervisors can lead to smooth administration |
| Procedures for acting on senior positions by employees are not properly followed and causes delays in the payment of the acting allowances | HR Personnel should conduct workshops on proper procedures to be followed by employees and their supervisors when it comes to acting |
| Application for annual leave is still not processed correctly by some employees and their supervisors, which leads to audit queries | Sessions should be held with supervisors on the processing of leaves |

Table 137.:Human Resources Challenges

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d) Employees: Human Resource Services

| Job Level | 2014/15 | | | |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
| | 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 | 1 | 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 | 3 | 2 | 1 | 33 |

Table 138.:Employees: Human Resource services

3.9.5 Procurement Services

a) Highlights: Procurement Services

| Highlights | Description |
|---|--|
| The municipality's determination to minimize irregular expenditure by trying to comply with SCM regulations as far as possible. | Deviations are recorded timeously in a deviation register. |
| The disclosure of irregular expenditure and SCM deviations in the annual financial statements contributing to an improved audit opinion. | The municipality is committed to comply with the SCM regulations in full, as it is evident in our audit action plan. |
| Although the municipality experiences capacitation issues, the commitment, dedication and hard work from all staff members to fully comply with the SCM regulations, need to be emphasized. | The positive attitude and approach of all staff members are commendable. |

Table 139.:Procurement Services Highlights

b) Challenges: Procurement Services

| Description | Actions to address |
|---|--|
| The full compliance and the adherence to the Supply Chain Management Regulations in regards to the implementation of local government remains an enormous hurdle for the municipality to overcome as a result of the current economic conditions that exists within the municipality. | Provincial Treasury will continuously be engaged to understand the current realities and the difficulties in complying with all the SCM Regulations relating to the SCM content. |
| Continuous challenges are being experienced to obtain three quotations from service providers on the normal procurement of goods and services due to the limited number of service providers located in our municipal area. | The municipality is continuously recording and reporting any SCM procurement deviations and obtaining council resolutions for it. |

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| Description | Actions to address |
|--|---|
| Recruitment of adequate qualified staff and also the current capacity of SCM staff remains a challenge that is being faced by Emthanjeni Municipality. | The municipality will engage Provincial Treasury for further assistance, guidance and training to capacitate the SCM staff. |

Table 140.:Procurement Services Challenges

c) Service Statistics for Procurement Services

| Description | Total No | Monthly Average | Daily Average |
|-------------------------------------|----------|-----------------|---------------|
| Requests processed | 2 141 | 178 | 8 |
| Orders processed | 2 141 | 178 | 8 |
| Requests cancelled or referred back | 0 | 0 | 0 |
| Extensions | 0 | 0 | 0 |
| Bids received (number of documents) | 13 | 13 | 13 |
| Bids awarded | 4 | 1 | 0 |
| Bids awarded ≤ R200 000 | 17 | 1 | 0 |
| Appeals registered | 0 | 0 | 0 |
| Successful Appeals | 0 | 0 | 0 |

Table 141.:Service Statistics for Procurement Division

d) Details of Deviations for Procurement Services

| Type of deviation | Number of deviations | % | Value of deviations | Percentage of total deviations value |
|--|----------------------|------------|---------------------|--------------------------------------|
| Clause 36(1)(a)(i)- Emergency | 0 | 0 | 0 | 0 |
| Clause 36(1)(a)(ii)- Sole Supplier | 0 | 0 | 0 | 0 |
| Clause 36(1)(a)(iii)- Unique arts | 0 | 0 | 0 | 0 |
| Clause 36(1)(a)(v)- Impractical / impossible | 164 | 100 | R3 198 931 | 100 |
| Total | 164 | 100 | R3 198 931 | 100 |

Table 142.:Statistics of deviations from the SCM Policy

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3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2015/16

The main development and service delivery priorities for 2015/16 forms part of the Municipality's top layer SDBIP for 2015/16 and are indicated in the table below:

3.10.1 Development and Service Delivery Priorities for 2015/16

a) *Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties*

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|---|---|------|---------------|
| TL41 | Review the Disaster Management Plan and submit to the District Municipality by 30 June 2016 | Disaster Management Plan submitted to the District Municipality by 30 June 2016 | All | 1 |
| TL44 | Review the Community Safety Plan and submit to Council by 30 June 2016 | Community Safety Plan submitted to Council by 30 June 2016 | All | 1 |

Table 143.:Service Delivery Priorities– Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

b) *Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor*

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|-----|---|---|------|---------------|
| TL5 | Provide free basic water to indigent households as at 30 June 2016 | Number of households receiving free basic water as at 30 June 2016 | All | 2,400 |
| TL6 | Provide free basic electricity to indigent households as at 30 June 2016 | Number of households receiving free basic electricity as at 30 June 2016 | All | 2,400 |
| TL7 | Provide free basic sanitation to indigent households as at 30 June 2016 | Number of households receiving free basic sanitation as at 30 June 2016 | All | 2,400 |
| TL8 | Provide free basic refuse removal to indigent households as at 30 June 2016 | Number of households receiving free basic refuse removal as at 30 June 2016 | All | 2,400 |

Table 144.:Services Delivery Priorities - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

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

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|--|---|------|---------------|
| TL11 | The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with a municipality's approved employment equity plan by 30 June 2016 | Number of people employed (newly appointed) by 30 June 2016 | All | 1 |

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| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|---|--|------|---------------|
| TL12 | 0.7% of the personnel budget spent on training as per the approved skills development plan by 30 June 2016[(Actual total training expenditure/total personnel budget)x100] | (Actual total training expenditure/total personnel budget)x100 | All | 0.70% |
| TL37 | Establish a client service desk by 31 March 2016 | Service desk established by 31 March 2016 | All | 1 |
| TL39 | Review the Organogram and submit to council by 30 September 2015 | Revised organogram submitted to council by 30 September 2015 | All | 1 |
| TL40 | Review, workshop and submit the delegation of powers to council by 30 September 2015 | Revised delegation of powers submitted to council by 30 September 2015 | All | 1 |

Table 145.:Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

d) Maintaining a financially sustainable and viable municipality

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|---|--|------|---------------|
| TL13 | Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2016 ((Total operating revenue-operating grants received)/debt service payments due within the year)) | (Debt coverage as at 30 June 2016 ((Total operating revenue-operating grants received)/debt service payments due within the year)) | All | 30 |
| TL14 | Financial viability measured in terms of the outstanding service debtors as at 30 June 2016 ((Total outstanding service debtors/ revenue received for services)X100) | (Total outstanding service debtors/ revenue received for services)X100 | All | 20.50% |
| TL15 | Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2016 (Available cash+ investments)/ Monthly fixed operating expenditure) | ((Available cash+ investments)/ Monthly fixed operating expenditure) | All | 0.5 |
| TL17 | Submit the annual financial statements to the Auditor-General by 31 August 2016 | Statements submitted to the AG by 31 August 2015 | All | 1 |
| TL18 | Achievement of a payment percentage of above 80% by 30 June 2016 ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100 | ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100 | All | 80% |
| TL19 | Prepare and submit to Council the adjustments budget by the 28 February 2016, the draft budget by 31 March 2016 and the final budget by 31 May 2016 | Adjustments budget submitted by 28 February 2016, Draft budget by 31 March 2016 and Final Budget by 31 May 2016 | All | 3 |
| TL13 | Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2016 ((Total operating revenue-operating grants received)/debt service payments due within the year)) | (Debt coverage as at 30 June 2016 ((Total operating revenue-operating grants received)/debt service payments due within the year)) | All | 30 |

Table 146.:Services Delivery Priorities - Maintaining a financially sustainable and viable municipality

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

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|--|---|------|---------------|
| TL16 | Develop Risk based audit plan and submit to the audit committee for approval by 30 June 2016 | RBAP submitted to the audit committee by 30 June 2016 | All | 1 |

Table 147.:Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality

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

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|---|--|------|---------------|
| TL10 | Create jobs opportunities through the municipality's LED initiatives including capital projects by 30 June 2016 | Number of jobs opportunities created by 30 June 2016 | All | 550 |
| TL38 | Revise the LED strategy and submit to council by end 31 May 2016 | Revised strategy submitted to council by 31 May 2016 | All | 1 |

Table 148.:Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources

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

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|-----|--|--|------|---------------|
| TL1 | Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network as at 30 June 2016 | Number of residential properties which are billed for water or have pre paid meters as at 30 June 2016 | All | 8,000 |
| TL2 | Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) as at 30 June 2016 | Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2016 | All | 8,000 |
| TL3 | Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) as at 30 June 2016 | Number of residential properties which are billed for sewerage as at 30 June 2016 | All | 8,000 |
| TL4 | Number of formal residential properties for which refuse is removed once per week as at 30 June 2016 | Number of residential properties which are billed for refuse removal as at 30 June 2016 | All | 8,000 |
| TL9 | The percentage of the municipal capital budget actually spent on capital projects by 30 June 2016 $\{(Actual\ amount\ spent\ on\ projects / Total\ amount\ budgeted\ for\ capital\ projects) \times 100\}$ | % of capital budget spent by 30 June 2016 $\{(Actual\ amount\ spent\ on\ projects / Total\ amount\ budgeted\ for\ capital\ projects) \times 100\}$ | All | 80% |

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| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|--|---|---------|---------------|
| TL20 | 90% of the water maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100) | % of approved water maintenance budget spent | All | 90% |
| TL21 | Limit % water unaccounted for quarterly to 19.5% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) × 100] | (Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) × 100 | All | 19.50% |
| TL22 | 95% water quality quarterly as per SANS 241 requirements | % water quality level | All | 95% |
| TL23 | 90% of the waste water maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100) | % of approved waste water maintenance budget spent by 30 June 2016 | All | 90% |
| TL24 | Construct 2 km new surfaced roads by 30 June 2016 | Number of kilometres constructed by 30 June 2016 | All | 2 |
| TL25 | 90% of the roads and stormwater maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100) | % of approved roads and stormwater maintenance budget spent by 30 June 2016 | All | 90% |
| TL26 | Reseal 1km existing tar roads by 30 June 2016 | Number of kilometres resealed by 30 June 2016 | All | 1 |
| TL27 | Limit % electricity unaccounted for to 22% by 30 June 2016 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) × 100] | (Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) × 100 | All | 22% |
| TL28 | 90% of the recreational and swimming pool maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100) | % of approved recreational areas and swimming pool maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100) | All | 90% |
| TL29 | 90% of the electricity maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100) | % of approved electricity maintenance budget spent by 30 June 2016 ((Actual expenditure divided by the approved budget)X100) | All | 90% |
| TL30 | Complete the New Streets Phase 1 project by 30 June 2016 | Project completed by 30 June 2016 | 1; 2; 4 | 1 |
| TL31 | Appoint service provider for Stormwater Phase 2 by 31 December 2015 | Service provider appointed by 31 December 2015 | All | 1 |
| TL32 | Appoint service provider for Hanover Bulk Sewerage and Pump Station 31 December 2015 | Service provider appointed by 31 December 2015 | All | 1 |
| TL33 | 90% of approved budget spent by 30 June 2016 in terms of the Bucket Eradication Programme System: Britstown Sanitation {(Actual expenditure divided by the total approved project budget) x 100} | % of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100} | 7 | 90% |
| TL34 | 90% of approved budget spent by 30 June 2016 for electricity upgrades in Nonzwakazi & De Aar East and Waterdal (INEP & DBSA) {(Actual expenditure divided by the total approved project budget) x 100} | % of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100} | 3; 5 | 90% |

Chapter 3: Service Delivery Performance

| Ref | KPI | Unit of Measurement | Ward | Annual Target |
|------|--|--|------|---------------|
| TL35 | 90% of approved budget spent by 30 June 2016 to install prepaid electricity meters {(Actual expenditure divided by the total approved project budget) x 100} | % of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100} | All | 90% |
| TL36 | 90% of approved budget spent by 30 June 2016 for the acquisition of Smart prepaid meters: Electricity and Water Meters | % of approved project budget spent by 30 June 2016 {(Actual expenditure divided by the total approved project budget) x 100} | All | 90% |
| TL42 | Review the Integrated Waste Management Plan and submit to Council by 30 June 2016 | Integrated Waste Management Plan submitted to Council by 30 June 2016 | All | 1 |
| TL43 | Review the Housing sector plan and submit to Council by 30 June 2016 | Housing sector plan reviewed and submitted to Council by 30 June 2016 | All | 1 |
| TL45 | 90% of the maintenance budget of refuse removal spent by 30 June 2016 ((Actual expenditure divided by the approved budget)x100) | % of the budget spent ((Actual expenditure divided by the approved budget)x100) | All | 90% |
| TL46 | Erect 4 Dumping Signs to prevent illegal dumping by 31 March 2016 | Number of signs erected by 31 March 2016 | All | 4 |
| TL47 | Annual verification of all applicants for low cost housing by 30 June 2016 | Annual verification completed by 30 June 2016 | All | 1 |
| TL48 | Submit the housing application to the Provincial Dept of Housing by 30 September 2015 | Housing application submitted by 30 September 2015 | All | 1 |

Table 149.:Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources

Chapter 4



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 Organizational Development.

| KPA & Indicators | Municipal Achievement | Municipal Achievement |
|--|-----------------------|-----------------------|
| | 2013/14 | 2014/15 |
| The percentage of a municipality's budget actually spent on implementing its workplace skills plan | 0.94 | 0.7 |

Table 150.:National KPIs– Municipal Transformation and Organisational Development

4.2 Introduction To The Municipal Workforce

The Municipality currently employs 344 (excluding non-permanent positions) and 367 (including non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 Employment Equity

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

Chapter 4: Organisational Development Performance

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% | 41.4% | 35% | 55.9% | 5% | 0% | 10% | 2.7% |

Table 151.:2014/15 EE targets/Actual by racial classification

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

Table 152.:2014/15 EE targets/actual by gender classification

b) Employment Equity vs. Population

| Description | African | Coloured | Indian | White | Total |
|-----------------------------|---------|----------|--------|-------|--------|
| Population numbers | 9 949 | 24 135 | 25 | 4 122 | 38 230 |
| % Population | 26.02 | 63.13 | 0.07 | 10.78 | 100 |
| Number for positions filled | 152 | 205 | 0 | 10 | 367 |
| % for Positions filled | 41.4 | 55.9 | 0 | 2.7 | 100 |

Table 153.:EE population 2014/15 (including non-permanent officials)

c) Specific Occupational Categories - Race

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

| Occupational Levels | Male | | | | Female | | | | Total |
|---|------------|------------|----------|----------|-----------|-----------|----------|----------|------------|
| | A | C | I | W | A | C | I | W | |
| Top Management | 0 | 4 | 0 | 0 | 1 | 0 | 0 | 0 | 5 |
| Senior management | 6 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 10 |
| Professionally qualified and experienced specialists and mid- management | 8 | 2 | 0 | 1 | 6 | 5 | 0 | 3 | 25 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 14 | 23 | 0 | 3 | 4 | 12 | 0 | 0 | 56 |
| Semi-skilled and discretionary decision making | 15 | 38 | 0 | 0 | 10 | 18 | 0 | 0 | 81 |
| Unskilled and defined decision making | 60 | 77 | 0 | 0 | 14 | 16 | 0 | 0 | 167 |
| Total permanent | 103 | 146 | 0 | 6 | 35 | 51 | 0 | 3 | 344 |
| Non- permanent employees | 12 | 7 | 0 | 0 | 2 | 1 | 0 | 1 | 23 |
| Grand total | 115 | 153 | 0 | 6 | 37 | 52 | 0 | 4 | 367 |

Table 154.:Occupational Categories

Chapter 4: Organisational Development Performance

4.2.2 Vacancy Rate

The approved organogram for the municipality had 392 posts for the 2014/15 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 25 Posts were vacant at the end of 2014/15, resulting in a vacancy rate of 6.4%.

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

| Per Post Level | | |
|-----------------------------|------------|-----------|
| Post level | Filled | Vacant |
| MM & MSA section 57 & 56 | 5 | 0 |
| Middle management (T14-T19) | 10 | 1 |
| Officers (T4-T13) | 185 | 18 |
| General Workers (T3) | 167 | 6 |
| Total | 367 | 25 |
| Per Functional Level | | |
| Functional area | Filled | Vacant |
| Municipal Manager | 2 | 1 |
| Corporate Services | 42 | 3 |
| Financial Services | 44 | 3 |
| Infrastructure Services | 101 | 10 |
| Community Services | 178 | 8 |
| Total | 367 | 25 |

Table 155.: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 |
| Other Section 57 Managers | 0 | 3 |
| Senior management (T14-T19) | 1 | 11 |
| Highly skilled supervision (T4-T13) | 25 | 222 |
| General Workers (T3) | 0 | 154 |
| Total | 26 | 392 |

Table 156.:Vacancy rate per salary level

Chapter 4: Organisational Development Performance

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 4% in 2013/14 to 3% in 2014/15.

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 |
|----------------|---|------------------|---------------------------------|----------------|
| 2013/14 | 351 | 43 | 14 | 4% |
| 2014/15 | 367 | 27 | 11 | 3% |

Table 157.: 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 remains decreased with 3 employees injured in the 2013/14 financial year to only 1 employee injured in the 2014/15 financial year.

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

| Directorates | 2013/14 | 2014/15 |
|-------------------------|----------|----------|
| Municipal Manager | 0 | 0 |
| Corporate Services | 0 | 0 |
| Financial Services | 0 | 0 |
| Infrastructure Services | 2 | 1 |
| Community Services | 1 | 0 |
| Total | 3 | 1 |

Table 158.: Injuries

Chapter 4: Organisational Development Performance

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 2014/15 financial year shows a decrease when comparing it with the 2013/14 financial year.

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

| Department | 2013/14 | 2014/15 |
|-------------------------|--------------|--------------|
| Municipal Manager | 3 | 5 |
| Corporate Services | 588 | 167 |
| Financial Services | 594 | 28 |
| Infrastructure Services | 1 419 | 1 174 |
| Community Services | 2 248 | 664 |
| Total | 4 852 | 2 038 |

Table 159.: Sick Leave

4.3.3 HR Policies and Plans

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

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

| Approved policies | |
|--|------------------------|
| Name of policy | Date approved/ revised |
| Bursary policy (Study Aid Policy) | 25 June 2015 |
| Cell Phone | 21 January 2012 |
| Employment Policy | 31 August 2007 |
| Essential users scheme policy | 31 November 2012 |
| HIV/AIDS | 11 November 2014 |
| Incapacity / Ill-Health | 24 May 2004 |
| Induction Training and Staff Orientation | 14 March 2011 |
| Internal control: Salaries and grants | 6 January 2006 |
| Language | 9 August 2008 |
| Overtime | 5 June 2005 |
| Recruitment and Selection | 31 August 2007 |
| Scarce Skills | 31 November 2012 |

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| Approved policies | |
|-----------------------------|-------------------|
| Sexual harassment | 31 August 2007 |
| Skill Retention Policy | 31 November 2012 |
| Smoking Policy | 31 December 2012 |
| Smoking policy | 31 November 2012 |
| Study | 25 September 2012 |
| Subsistence and Travelling | 28 May 2015 |
| Substance Abuse | 11 November 2014 |
| Uniform Protective Clothing | 27 September 2007 |

Table 160.:HR policies and plans

4.4 Capacitating the Municipal Workforce

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

4.4.1 Skills Matrix

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

| Management level | Gender | Number of employees identified for training at start of the year | Number of Employees that received training (2014/15) |
|--|--------|--|--|
| MM and S57 | Female | 1 | 1 |
| | Male | 4 | 4 |
| Legislators, senior officials and managers | Female | 4 | 3 |
| | Male | 10 | 5 |
| Associate professionals and Technicians | Female | 1 | 0 |
| | Male | 14 | 0 |
| Professionals | Female | 1 | 1 |
| | Male | 4 | 0 |
| Clerks | Female | 18 | 8 |
| | Male | 2 | 5 |
| Service and sales workers | Female | 2 | 2 |
| | Male | 0 | 0 |
| Craft and related trade workers | Female | 0 | 0 |
| | Male | 0 | 0 |

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| Management level | Gender | Number of employees identified for training at start of the year | Number of Employees that received training (2014/15) |
|--|--------|--|--|
| Plant and machine operators and assemblers | Female | 0 | 0 |
| | Male | 9 | 9 |
| Elementary occupations | Female | 0 | 0 |
| | Male | 6 | 6 |
| Sub total | Female | 27 | 15 |
| | Male | 49 | 29 |
| Total | | 76 | 44 |

Table 161.: Skills Matrix

4.4.2 Skills Development – Training provided

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

| Occupational categories | Gender | Skills programmes & other short courses |
|--|--------|---|
| | | Total |
| | | Actual |
| MM and S57 | Female | 1 |
| | Male | 1 |
| Legislators, senior officials and managers | Female | 3 |
| | Male | 11 |
| Professionals | Female | 0 |
| | Male | 1 |
| Technicians and associate professionals | Female | 0 |
| | Male | 22 |
| Clerks | Female | 7 |
| | Male | 6 |
| Service and sales workers | Female | 0 |
| | Male | 1 |
| Craft and related trade workers | Female | 0 |
| | Male | 0 |
| Plant and machine operators and assemblers | Female | 0 |
| | Male | 9 |
| Elementary occupations | Female | 0 |

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| Occupational categories | Gender | Skills programmes & other short courses |
|-------------------------|--------|---|
| | | Total |
| | | Actual |
| | Male | 6 |
| | Female | 11 |
| Sub total | Male | 57 |
| Total | | 68 |

Table 162.:Skills Development

4.4.3 Skills Development - Budget allocation

The table below indicates that a total amount of R546 000 were allocated to the workplace skills plan and of that 120% of the total amount was spent in the 2014/15 financial year:

| Year | Total Allocated (R) | Total Spend (R) | % Spent |
|---------|---------------------|-----------------|---------|
| 2013/14 | 69 311 | 144 248 | 208% |
| 2014/15 | 546 000 | 660 000 | 120% |

Table 163.:Budget allocated and spent for skills development

4.4.4 MFMA Competencies

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

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

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

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

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

Chapter 4: Organisational Development Performance

| 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 | 1 | 1 | 1 | 1 |
| Any other financial officials | 0 | 0 | 0 | 0 |
| Supply Chain Management Officials | | | | |
| Heads of supply chain management units | 0 | 0 | 0 | 0 |
| Supply chain management senior managers | 0 | 0 | 0 | 0 |
| Total | 3 | 3 | 3 | 3 |

Table 164.: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 | |
| 2013/14 | 65 193 | 183 695 | 35 |
| 2014/15 | 61 975 | 162 868 | 38 |

Table 165.:Personnel Expenditure

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

Chapter 4: Organisational Development Performance

| Financial year | 2013/14 | 2014/15 | | |
|---|---------|-----------------|-----------------|--------|
| Description | Actual | Original Budget | Adjusted Budget | Actual |
| | R'000 | | | |
| Councillors (Political Office Bearers plus Other) | | | | |
| Salary | 2 721 | 2 962 | 2 962 | 3 521 |
| Pension Contributions | 63 | 0 | 0 | 337 |
| Medical Aid Contributions | 29 | 0 | 0 | 36 |
| Motor vehicle allowance | 883 | 985 | 985 | 908 |
| Cell phone allowance | 257 | 314 | 314 | 292 |
| Housing allowance | 0 | 0 | 0 | 0 |
| Other benefits or allowances | 0 | 47 | 0 | 0 |
| In-kind benefits | 0 | 0 | 0 | 0 |
| Sub Total | 3 953 | 4 308 | 4 261 | 5 094 |
| % increase/ decrease | - | 8.98 | -1.09 | 19.55 |
| Senior Managers of the Municipality | | | | |
| Salary | 3 012 | 3 369 | 3 369 | 3 584 |
| Pension Contributions | 492 | 560 | 560 | 585 |
| Medical Aid Contributions | 47 | 159 | 159 | 85 |
| Motor vehicle allowance | 752 | 847 | 847 | 829 |
| Cell phone allowance | 161 | 151 | 151 | 174 |
| Housing allowance | 0 | 0 | 0 | 0 |
| Performance Bonus | 201 | 0 | 0 | 393 |
| Other benefits or allowances | 225 | 217 | 217 | 157 |
| In-kind benefits | 0 | 0 | 0 | 0 |
| Sub Total | 4 890 | 5 303 | 5 303 | 5 807 |
| % increase/ decrease | - | 8.45 | 0.00 | 9.50 |
| Other Municipal Staff | | | | |
| Basic Salaries and Wages | 43 108 | 43 450 | 43 450 | 41 024 |
| Pension Contributions | 5 966 | 7 592 | 7 592 | 6 576 |
| Medical Aid Contributions | 2 243 | 1 505 | 1 505 | 1 356 |
| Motor vehicle allowance | 798 | 892 | 892 | 829 |
| Cell phone allowance | 346 | 168 | 168 | 143 |
| Housing allowance | 109 | 702 | 702 | 93 |
| Overtime | 1 594 | 2 070 | 2 070 | 2 566 |
| Other benefits or allowances | 1 545 | 1 244 | 1 230 | 1 296 |

Chapter 4: Organisational Development Performance

| Financial year | 2013/14 | 2014/15 | | |
|----------------------|---------|-----------------|-----------------|--------|
| Description | Actual | Original Budget | Adjusted Budget | Actual |
| | R'000 | | | |
| Sub Total | 52 619 | 57 677 | 57 662 | 53 883 |
| % increase/ decrease | - | 9.61 | -0.03 | -6.55 |
| Total Municipality | 61 462 | 67 288 | 67 226 | 64 784 |
| % increase/ decrease | - | 9.48 | -0.09 | -3.63 |

Table 166.:Personnel Expenditure

Chapter 5



Chapter 5: Financial Performance

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2014/15 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 2014/15 financial year:

The table below shows a summary of performance against budgets:

| Financial Summary | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|--------------------|
| R'000 | | | | | | |
| Description | 2013/14 | 2014/15 | | | 2014/15 %Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget |
| Financial Performance | | | | | | |
| Property rates | 21 185 | 23 785 | 23 785 | 22 075 | -7.74 | -7.74 |
| Service charges | 91 655 | 100 511 | 96 364 | 97 741 | -2.83 | 1.41 |
| Investment revenue | 1 030 | 940 | 940 | 950 | 1.09 | 1.09 |
| Transfers recognised - operational | 39 024 | 39 633 | 39 633 | 39 770 | 0.34 | 0.34 |
| Other own revenue | 20 964 | 35 323 | 29 171 | 35 803 | 1.34 | 18.52 |
| Total Revenue (excluding capital transfers and contributions) | 173 858 | 200 192 | 189 893 | 196 340 | -1.96 | 3.28 |
| Employee costs | 59 894 | 62 980 | 62 965 | 66 864 | 5.81 | 5.83 |
| Remuneration of councilors | 4 157 | 4 308 | 4 261 | 4 126 | -4.40 | -3.26 |
| Depreciation & asset impairment | 111 301 | 19 508 | 19 184 | 93 075 | 79.04 | 79.39 |
| Finance charges | 1 608 | 1 700 | 2 530 | 1 337 | -27.19 | -89.29 |
| Materials and bulk purchases | 55 146 | 55 879 | 55 879 | 58 263 | 4.09 | 4.09 |
| Transfers and grants | 750 | 13 669 | 13 669 | 225 | -5962.53 | -5962.53 |
| Other expenditure | 27 040 | 43 623 | 43 516 | 30 393 | -43.53 | -43.18 |
| Total Expenditure | 259 896 | 201 667 | 202 004 | 254 284 | 20.69 | 20.56 |
| Surplus/(Deficit) | (86 038) | (1 475) | (12 111) | (57 944) | 97.45 | 79.10 |
| Transfers recognised - capital | 19 830 | 29 248 | 16 208 | 14 473 | -102.08 | -11.99 |

Chapter 5: Financial Performance

| Financial Summary | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|--------------------|
| R'000 | | | | | | |
| Description | 2013/14 | 2014/15 | | | 2014/15 %Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget |
| Contributions recognised - capital & contributed assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Surplus/(Deficit) after capital transfers & contributions | (66 208) | 27 773 | 4 097 | (43 471) | 163.89 | 109.42 |
| Capital expenditure & funds sources | | | | | | |
| Capital expenditure | | | | | | |
| Transfers recognised - capital | 15 313 | 28 448 | 15 408 | 13 833 | -105.66 | -11.39 |
| Public contributions & donations | 0 | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 0 | 6 000 | 6 000 | 0 | 0 | 0 |
| Internally generated funds | 4 517 | 6 141 | 5 991 | 641 | -858.58 | -835.16 |
| Total sources of capital funds | 19 830 | 40 589 | 27 399 | 14 473 | -180.44 | -89.31 |
| Financial position | | | | | | |
| Total current assets | 120 056 | 78 943 | 78 943 | 129 110 | 38.86 | 38.86 |
| Total non-current assets | 936 356 | 948 055 | 948 055 | 887 547 | -6.82 | -6.82 |
| Total current liabilities | 43 139 | 17 654 | 17 654 | 43 909 | 59.79 | 59.79 |
| Total non-current liabilities | 52 911 | 45 370 | 45 370 | 55 856 | 18.77 | 18.77 |
| Community wealth/Equity | 960 362 | 963 974 | 963 974 | 916 891 | -5.14 | -5.14 |
| Cash flows | | | | | | |
| Net cash from (used) operating | 12 659 | 43 672 | 19 651 | 14 269 | -206.05 | -37.71 |
| Net cash from (used) investing | (20 562) | (40 469) | (27 279) | (14 173) | -185.55 | -92.48 |
| Net cash from (used) financing | (2 504) | 2 751 | 2 751 | (2 777) | 199.07 | 199.07 |
| Cash/cash equivalents at the year end | (10 407) | 5 954 | (4 877) | (2 680) | 322.17 | -81.98 |
| Cash backing/surplus reconciliation | | | | | | |
| Cash and investments available | 0 | 13 606 | 13 606 | 0 | 0 | 0 |
| Application of cash and investments | 0 | 2 098 | (2 346) | 0 | 0 | 0 |
| Balance - surplus (shortfall) | 0 | 15 703 | 11 259 | 0 | 0 | 0 |
| Asset management | | | | | | |
| Asset register summary (WDV) | 0 | 943 615 | 943 615 | 0 | 0 | 0 |
| Depreciation & asset impairment | 0 | 8 681 | 8 681 | 0 | 0 | 0 |
| Renewal of Existing Assets | 0 | 10 141 | 9 991 | 0 | 0 | 0 |
| Repairs and Maintenance | 11 611 | 12 491 | 12 491 | 11 215 | -11.38 | -11.38 |

Chapter 5: Financial Performance

| Financial Summary | | | | | | |
|---|---------|-----------------|-----------------|--------|-------------------|--------------------|
| R'000 | | | | | | |
| Description | 2013/14 | 2014/15 | | | 2014/15 %Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget |
| Free services | | | | | | |
| Cost of Free Basic Services provided | 0 | 15 651 | 15 651 | 0 | 0 | 0 |
| Revenue cost of free services provided | 0 | 15 651 | 33 768 | 0 | 0 | 0 |
| Households below minimum service level | | | | | | |
| Water: | 0 | 0 | 0 | 0 | 0 | 0 |
| Sanitation/sewerage: | 0 | 19 | 19 | 0 | 0 | 0 |
| Energy: | 0 | 1 | 1 | 0 | 0 | 0 |
| Refuse: | 0 | 0 | 0 | 0 | 0 | 0 |
| Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. | | | | | | |

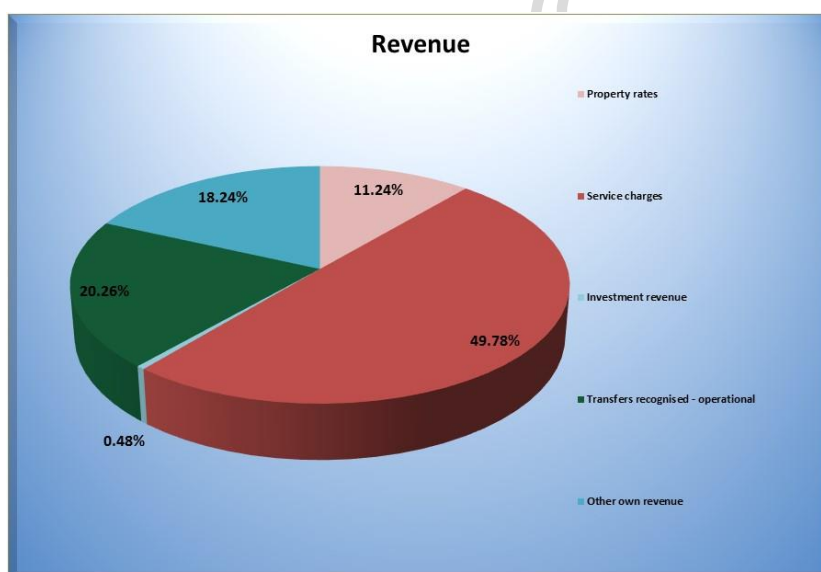
Table 167.: Financial Performance 2014/15

| Financial Year | Revenue | | | | Operating expenditure | | | |
|----------------|---------|---------|--------|---|-----------------------|---------|----------|-----|
| | Budget | Actual | Diff. | % | Budget | Actual | Diff. | % |
| | R'ooo | | | | R'ooo | | | |
| 2013/14 | 194 170 | 193 688 | (482) | 0 | 183 695 | 259 896 | (76 201) | -41 |
| 2014/15 | 206 101 | 218 271 | 12 170 | 6 | 202 004 | 254 284 | (52 280) | -26 |

Table 168.: Performance against budgets

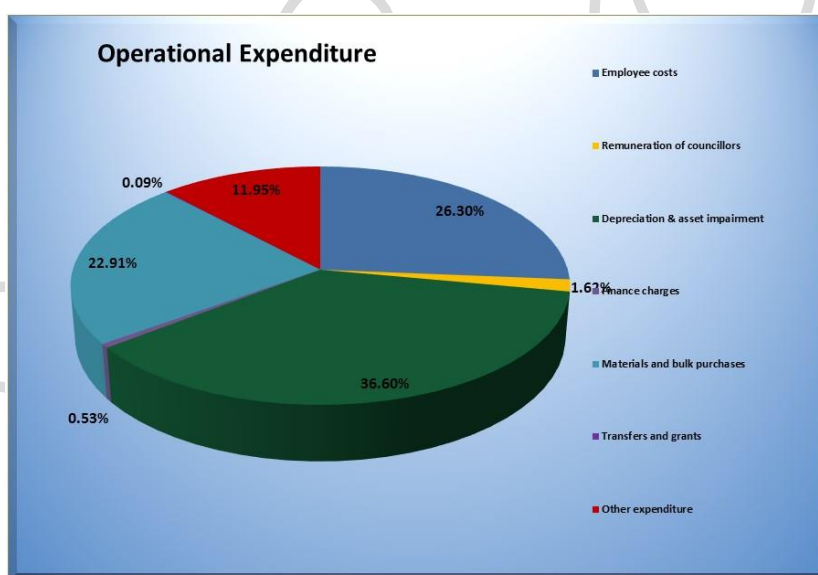
Chapter 5: Financial Performance

The following graph indicates the various types of revenue items in the municipal budget for 2014/15



Graph 10.: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2014/15



Graph 11.: 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 | 2013/14 | 2014/15 | | | 2014/15 % Variance | |
|--|-------------------------|-----------------|-----------------|----------------|--------------------|-----------------|
| | Actual(Audited Outcome) | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| | R'ooo | | | | % | |
| Vote 1 - Executive and Council | 5 436 | 3 238 | 3 238 | 4 792 | 32.43 | 32.43 |
| Vote 2 - Finance and Administration | 38 131 | 39 310 | 39 310 | 37 474 | -4.90 | -4.90 |
| Vote 3 - Planning and Development | 1 235 | 1 800 | 1 800 | 897 | -100.67 | -100.67 |
| Vote 4 – Health | 0 | 0 | 0 | 0 | 0 | 0 |
| Vote 5 - Community and Social Services | 1 435 | 1 410 | 1 410 | 1 516 | 6.97 | 6.97 |
| Vote 6 - Public Safety | 21 037 | 7 196 | 7 196 | 24 646 | 70.80 | 70.80 |
| Vote 7 - Sport and Recreation | 145 | 102 | 102 | 112 | 9.46 | 9.46 |
| Vote 8 - Road Transport | 9 191 | 12 894 | 16 394 | 10 147 | -27.07 | -61.56 |
| Vote 9 – Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Vote 10 - Housing Services | 1 031 | 36 | 36 | 678 | 94.70 | 94.70 |
| Vote 11 - Waste Management | 11 285 | 15 612 | 13 842 | 16 457 | 5.14 | 15.89 |
| Vote 12 - Waste Water Management | 18 570 | 25 982 | 22 802 | 27 196 | 4.46 | 16.16 |
| Vote 13 - Electricity | 60 590 | 75 900 | 71 350 | 67 030 | -13.23 | -6.45 |
| Vote 14 - Water | 25 603 | 45 961 | 28 621 | 27 325 | -68.20 | -4.74 |
| Total Revenue by Vote | 193 688 | 229 441 | 206 101 | 218 271 | -5.12 | 5.58 |

Table 169.: 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 2014/15 financial year:

| Description | 2013/14 | 2014/15 | | | 2014/15 % Variance | |
|--|----------------|-----------------|-----------------|----------------|--------------------|-----------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| | R'000 | | | | % | |
| Property rates | 21 035 | 23 785 | 23 785 | 21 905 | -8.58 | -8.58 |
| Property rates - penalties & collection charges | 150 | 0 | 0 | 170 | 100.00 | 100.00 |
| Service Charges - electricity revenue | 56 488 | 53 614 | 50 114 | 59 935 | 10.55 | 16.39 |
| Service Charges - water revenue | 18 746 | 24 575 | 23 775 | 20 888 | -17.65 | -13.82 |
| Service Charges - sanitation revenue | 10 302 | 13 906 | 13 906 | 10 668 | -30.35 | -30.35 |
| Service Charges - refuse revenue | 5 705 | 8 347 | 8 347 | 5 822 | -43.36 | -43.36 |
| Service Charges - other | 415 | 69 | 222 | 427 | 83.85 | 48.03 |
| Rentals of facilities and equipment | 747 | 755 | 603 | 1 189 | 36.50 | 49.28 |
| Interest earned - external investments | 1 030 | 940 | 940 | 950 | 1.09 | 1.09 |
| Interest earned - outstanding debtors | 625 | 819 | 819 | 646 | -26.83 | -26.83 |
| Dividends received | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines | 14 899 | 6 624 | 6 624 | 24 477 | 72.94 | 72.94 |
| Licences and permits | 1 305 | 1 874 | 1 874 | 1 257 | -49.09 | -49.09 |
| Agency services | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers recognised - operational | 39 024 | 39 633 | 39 633 | 39 770 | 0.34 | 0.34 |
| Other revenue | 3 217 | 25 131 | 19 131 | 7 251 | -246.58 | -163.84 |
| Gains on disposal of PPE | 164 | 120 | 120 | 983 | 87.79 | 87.79 |
| Total Revenue (excluding capital transfers and contributions) | 173 851 | 200 192 | 189 893 | 196 340 | -1.96 | 3.28 |

Table 170.: Revenue by Source

Chapter 5: Financial Performance

5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2014/15 financial year:

| Financial Performance of Operational Services | | | | | | |
|---|---------|-----------------|-----------------|---------|--------------------|-----------------|
| Description | 2013/14 | 2014/15 | | | 2014/15 % Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| | R'ooo | | | | % | |
| Operating Cost | | | | | | |
| Water | 30 396 | 14 979 | 17 091 | 16 290 | 8.05 | -4.92 |
| Waste Water (Sanitation) | 5 187 | 12 298 | 12 623 | 13 837 | 11.12 | 8.78 |
| Electricity | 8 389 | 14 763 | 15 163 | 16 243 | 9.11 | 6.65 |
| Waste Management | 80 878 | 64 771 | 61 956 | 81 030 | 20.06 | 23.54 |
| Housing | 4 630 | 2 069 | 2 109 | 4 407 | 53.06 | 52.15 |
| Component A: sub-total | 129 481 | 108 880 | 108 942 | 131 807 | 17.39 | 17.35 |
| Roads & Stormwater | 15 637 | 15 034 | 15 034 | 18 972 | 20.76 | 20.76 |
| Transport | 0 | 0 | 0 | 0 | 0 | 0 |
| Component B: sub-total | 15 637 | 15 034 | 15 034 | 18 972 | 20.76 | 20.76 |
| Planning | 15 183 | 6 367 | 6 436 | 12 835 | 50.39 | 49.85 |
| Local Economic Development | 2 767 | 3 280 | 3 316 | 6 612 | 50.39 | 49.85 |
| Component C: sub-total | 17 950 | 9 647 | 9 752 | 19 447 | 50.39 | 49.85 |
| Libraries | 4 676 | 4 224 | 3 791 | 7 492 | 43.62 | 49.40 |
| Social Services & community development | 14 866 | 2 280 | 2 399 | 11 663 | 80.45 | 79.43 |
| Cemeteries | 722 | 1 050 | 1 050 | 740 | -41.83 | -41.83 |
| Component D: sub-total | 20 265 | 7 553 | 7 240 | 19 895 | 62.03 | 63.61 |
| Other | 1 696 | 1 077 | 1 077 | 1 630 | 33.94 | 33.90 |
| Traffic & licensing | 6 395 | 8 394 | 8 434 | 7 698 | -9.05 | -9.57 |
| Fire Services and Disaster Management | 313 | 624 | 624 | 329 | -89.70 | -89.70 |
| Component E: sub-total | 8 404 | 10 095 | 10 135 | 9 656 | -4.54 | -4.96 |
| Holiday Resorts and Campsites | 50 | 73 | 73 | 56 | -30.06 | -30.06 |
| Swimming Pools, Stadiums and Sport Ground | 2 578 | 3 875 | 4 311 | 4 085 | 5.14 | -5.53 |
| Community halls, Town Commonage, Community Services | 175 | 3 005 | 3 005 | 219 | -1270.75 | -1270.75 |
| Component F: sub-total | 2 802 | 6 954 | 7 390 | 4 361 | -59.46 | -69.46 |
| Financial Services | 18 775 | 18 910 | 18 489 | 17 174 | -10.10 | -7.65 |
| Executive and Council | 14 705 | 12 680 | 12 897 | 15 411 | 17.72 | 16.31 |

Chapter 5: Financial Performance

| Financial Performance of Operational Services | | | | | | |
|--|---------|-----------------|-----------------|---------|--------------------|-----------------|
| Description | 2013/14 | 2014/15 | | | 2014/15 % Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| | R'000 | | | | % | |
| Operating Cost | | | | | | |
| Corporate Services | 10 420 | 11 914 | 12 124 | 10 825 | -10.07 | -12.01 |
| Component G: sub-total | 43 900 | 43 503 | 43 510 | 43 410 | -0.22 | -0.23 |
| Total Expenditure | 238 439 | 201 667 | 202 004 | 247 548 | 18.53 | 18.40 |
| 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 171.: Operational Services Performance

5.2 Financial Performance per Municipal Function

5.2.1 Water Services

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|---------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 25 603 | 45 961 | 28 621 | 27 325 | -68.20 |
| Expenditure: | | | | | |
| Employees | 1 508 | 2 092 | 2 092 | 1 803 | -16.03 |
| Repairs and Maintenance | 1 043 | 995 | 995 | 890 | -11.85 |
| Other | 27 845 | 11 892 | 14 004 | 13 598 | 12.54 |
| Total Operational Expenditure | 30 396 | 14 979 | 17 091 | 16 290 | 8.05 |
| Net Operational (Service) Expenditure | (4 793) | 30 982 | 11 530 | 11 035 | -180.75 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 172.: Financial Performance: Water services

Chapter 5: Financial Performance

5.2.2 Waste Water (Sanitation)

| Description | 2013/14 | 2014/15 | | | |
|---|---------------|-----------------|-----------------|---------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 18 510 | 25 982 | 22 802 | 27 065 | 4.00 |
| Expenditure: | | | | | |
| Employees | 2 820 | 2 932 | 2 932 | 3 450 | 15.00 |
| Repairs and Maintenance | 448 | 468 | 468 | 365 | -28.46 |
| Other | 1 919 | 8 897 | 9 222 | 10 023 | 11.23 |
| Total Operational Expenditure | 5 187 | 12 298 | 12 623 | 13 837 | 11.12 |
| Net Operational (Service) Expenditure | 13 322 | 13 684 | 10 179 | 13 228 | -3.45 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 173.: Financial Performance: Waste Water (Sanitation) services

5.2.3 Electricity

| Description | 2013/14 | 2014/15 | | | |
|---|-----------------|-----------------|-----------------|-----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 60 590 | 75 900 | 71 350 | 67 030 | -13.23 |
| Expenditure: | | | | | |
| Employees | 4 858 | 5 931 | 5 916 | 5 042 | -17.64 |
| Repairs and Maintenance | 1 274 | 1 368 | 1 368 | 1 604 | 14.71 |
| Other | 74 745 | 57 472 | 54 672 | 74 384 | 22.74 |
| Total Operational Expenditure | 80 878 | 64 771 | 61 956 | 81 030 | 20.06 |
| Net Operational (Service) Expenditure | (20 288) | 11 129 | 9 394 | (14 000) | 179.49 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 174.: Financial Performance: Electricity

Chapter 5: Financial Performance

5.2.4 Waste Management

| Description | 2013/14 | 2014/15 | | | |
|---|--------------|-----------------|-----------------|---------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 11 345 | 15 612 | 13 842 | 16 588 | 5.89 |
| Expenditure: | | | | | |
| Employees | 7 351 | 7 757 | 7 757 | 7 829 | 0.92 |
| Repairs and Maintenance | 571 | 482 | 482 | 615 | 21.50 |
| Other | 467 | 6 524 | 6 924 | 7 800 | 16.35 |
| Total Operational Expenditure | 8 389 | 14 763 | 15 163 | 16 243 | 9.11 |
| Net Operational (Service) Expenditure | 2 956 | 849 | (1 321) | 345 | -146.05 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 175.: Financial Performance: Waste Management

5.2.5 Housing

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 1 031 | 36 | 36 | 678 | 94.69 |
| Expenditure: | | | | | |
| Employees | 1 685 | 1 834 | 1 834 | 2 006 | 8.54 |
| Repairs and Maintenance | 23 | 25 | 25 | 12 | -96.98 |
| Other | 2 922 | 210 | 250 | 2 389 | 91.20 |
| Total Operational Expenditure | 4 630 | 2 069 | 2 109 | 4 407 | 53.06 |
| Net Operational (Service) Expenditure | (3 599) | (2 033) | (2 073) | (3 730) | 45.49 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 176.: Financial Performance: Housing

Chapter 5: Financial Performance

5.2.6 Roads and Stormwater

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 13 584 | 12 894 | 12 894 | 10 147 | -27.07 |
| Expenditure: | | | | | |
| Employees | 5 854 | 6 394 | 6 394 | 6 352 | -0.67 |
| Repairs and Maintenance | 5 220 | 1 160 | 1 160 | 3 322 | 65.07 |
| Other | 4 562 | 7 479 | 7 479 | 9 298 | 19.56 |
| Total Operational Expenditure | 15 637 | 15 034 | 15 034 | 18 972 | 20.76 |
| Net Operational (Service) Expenditure | (2 053) | (2 140) | (2 140) | (8 824) | 75.75 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 177.: Financial Performance: Roads and Stormwater

5.2.7 LED

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 1 234 | 792 | 792 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 2 341 | 2 772 | 2 772 | 2 881 | 3.80 |
| Repairs and Maintenance | 31 | 15 | 15 | 0 | 0 |
| Other | 396 | 493 | 529 | 3 731 | 86.78 |
| Total Operational Expenditure | 2 767 | 3 280 | 3 316 | 6 612 | 50.39 |
| Net Operational (Service) Expenditure | (1 534) | (2 488) | (2 524) | (6 612) | 62.37 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 178.: Financial Performance: LED

Chapter 5: Financial Performance

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

| Description | 2013/14 | 2014/15 | | | |
|---|-----------------|-----------------|-----------------|-----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'ooo | | | | % |
| Total Operational Revenue | 1 235 | 1 008 | 1 008 | 897 | -12.37 |
| Expenditure: | | | | | |
| Employees | 2 752 | 2 260 | 2 260 | 2 184 | -3.50 |
| Repairs and Maintenance | 1 243 | 1 467 | 1 467 | 2 321 | 36.79 |
| Other | 12 430 | 2 640 | 2 709 | 8 331 | 68.31 |
| Total Operational Expenditure | 16 426 | 6 367 | 6 436 | 12 835 | 50.39 |
| Net Operational (Service) Expenditure | (15 191) | (5 359) | (5 428) | (11 938) | 55.11 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 179.: Financial Performance: Planning

5.2.9 Libraries

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'ooo | | | | % |
| Total Operational Revenue | 727 | 794 | 794 | 782 | -1.46 |
| Expenditure: | | | | | |
| Employees | 2 186 | 2 528 | 2 528 | 2 618 | 3.42 |
| Repairs and Maintenance | 16 | 43 | 43 | 33 | -29.33 |
| Other | 2 474 | 1 652 | 1 220 | 4 841 | 65.87 |
| Total Operational Expenditure | 4 676 | 4 224 | 3 791 | 7 492 | 43.62 |
| Net Operational (Service) Expenditure | (3 949) | (3 430) | (2 998) | (6 710) | 48.88 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 180.: Financial Performance: Libraries

Chapter 5: Financial Performance

5.2.10 Cemeteries

| Description | 2013/14 | 2014/15 | | | |
|---|--------------|-----------------|-----------------|--------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 257 | 320 | 320 | 282 | -13.66 |
| Expenditure: | | | | | |
| Employees | 650 | 767 | 767 | 653 | -17.44 |
| Repairs and Maintenance | 4 | 26 | 26 | 11 | -136.18 |
| Other | 69 | 257 | 257 | 77 | -236.00 |
| Total Operational Expenditure | 722 | 1 050 | 1 050 | 740 | -41.83 |
| Net Operational (Service) Expenditure | (465) | (730) | (730) | (459) | -59.11 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 181.: Financial Performance: Cemeteries

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

| Description | 2013/14 | 2014/15 | | | |
|---|-----------------|-----------------|-----------------|-----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 0 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 586 | 1 985 | 1 985 | 2 022 | 1.83 |
| Repairs and Maintenance | 0 | 103 | 103 | 51 | -100.02 |
| Other | 14 280 | 192 | 311 | 9 590 | 98.00 |
| Total Operational Expenditure | 14 866 | 2 280 | 2 399 | 11 663 | 80.45 |
| Net Operational (Service) Expenditure | (14 866) | (2 280) | (2 399) | (11 663) | 80.45 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 182.: Financial Performance: Social Services

Chapter 5: Financial Performance

5.2.12 Traffic Services and Law Enforcement

| Description | 2013/14 | 2014/15 | | | |
|---|--------------|-----------------|-----------------|---------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 15 265 | 7 196 | 7 196 | 24 646 | 70.80 |
| Expenditure: | | | | | |
| Employees | 3 882 | 3 662 | 3 662 | 4 693 | 21.97 |
| Repairs and Maintenance | 272 | 515 | 515 | 214 | -141.03 |
| Other | 2 241 | 4 217 | 4 257 | 2 791 | -51.12 |
| Total Operational Expenditure | 6 395 | 8 394 | 8 434 | 7 698 | -9.05 |
| Net Operational (Service) Expenditure | 8 869 | (1 198) | (1 238) | 16 949 | 107.07 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 183.: Financial Performance: Traffic Services and Law Enforcement

5.2.13 Fire Services and Disaster Management

| Description | 2013/14 | 2014/15 | | | |
|---|------------|-----------------|-----------------|--------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 1 150 | 0 | 0 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 300 | 286 | 286 | 296 | 3.53 |
| Repairs and Maintenance | 12 | 155 | 155 | 17 | -807.21 |
| Other | 0 | 183 | 183 | 15 | -1098.96 |
| Total Operational Expenditure | 313 | 624 | 624 | 329 | -89.70 |
| Net Operational (Service) Expenditure | 838 | (624) | (624) | (329) | -89.70 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 184.: Financial Performance: Fire Services and Disaster management

Chapter 5: Financial Performance

5.2.14 Holiday Resorts and Campsites

| Description | 2013/14 | 2014/15 | | | |
|---|-------------|-----------------|-----------------|-------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 2 | 3 | 3 | 1 | -167.25 |
| Expenditure: | | | | | |
| Employees | 0 | 0 | 0 | 0 | 0 |
| Repairs and Maintenance | 0 | 15 | 15 | 0 | 0 |
| Other | 50 | 58 | 58 | 56 | -3.39 |
| Total Operational Expenditure | 50 | 73 | 73 | 56 | -30.06 |
| Net Operational (Service) Expenditure | (48) | (70) | (70) | (55) | -27.07 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 185.: Financial Performance: Holiday Resorts and Campsites

5.2.15 Swimming Pools and Sport Grounds

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 143 | 99 | 99 | 111 | 11.36 |
| Expenditure: | | | | | |
| Employees | 2 346 | 2 700 | 2 700 | 2 914 | 7.35 |
| Repairs and Maintenance | 195 | 489 | 489 | 514 | 4.89 |
| Other | 36 | 686 | 1 122 | 657 | -4.44 |
| Total Operational Expenditure | 2 578 | 3 875 | 4 311 | 4 085 | 5.14 |
| Net Operational (Service) Expenditure | (2 434) | (3 777) | (4 213) | (3 974) | 4.97 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 186.: Financial Performance: Swimming pools and Sport Grounds

Chapter 5: Financial Performance

5.2.16 Community Halls & Town Commonage

| Description | 2013/14 | 2014/15 | | | |
|---|--------------|-----------------|-----------------|--------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 0 | 297 | 297 | 0 | 0 |
| Expenditure: | | | | | |
| Employees | 0 | 1 287 | 1 287 | 0 | 0 |
| Repairs and Maintenance | 0 | 497 | 497 | 0 | 0 |
| Other | 175 | 1 221 | 1 221 | 219 | -456.91 |
| Total Operational Expenditure | 175 | 3 005 | 3 005 | 219 | -1270.75 |
| Net Operational (Service) Expenditure | (175) | (2 709) | (2 709) | (219) | -1135.46 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 187.: Financial Performance: Community Halls & Town Commonage

5.2.17 Office of the MM

| Description | 2013/14 | 2014/15 | | | |
|---|----------------|-----------------|-----------------|----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 765 | 420 | 420 | 420 | 0.00 |
| Expenditure: | | | | | |
| Employees | 1 805 | 1 883 | 1 883 | 1 980 | 4.87 |
| Repairs and Maintenance | 1 | 39 | 39 | 2 | -2292.00 |
| Other | 1 220 | 1 745 | 1 750 | 428 | -307.70 |
| Total Operational Expenditure | 3 026 | 3 667 | 3 672 | 2 409 | -52.19 |
| Net Operational (Service) Expenditure | (2 261) | (3 247) | (3 252) | (1 989) | -63.21 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 188.: Financial Performance: Office of the MM

Chapter 5: Financial Performance

5.2.18 Corporate Services

| Description | 2013/14 | 2014/15 | | | |
|---|-----------------|-----------------|-----------------|-----------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 42 | 74 | 74 | 79 | 6.05 |
| Expenditure: | | | | | |
| Employees | 4 284 | 5 457 | 5 457 | 4 214 | -29.50 |
| Repairs and Maintenance | 239 | 802 | 802 | 298 | -168.74 |
| Other | 5 898 | 5 655 | 5 865 | 6 312 | 10.41 |
| Total Operational Expenditure | 10 420 | 11 914 | 12 124 | 10 825 | -10.07 |
| Net Operational (Service) Expenditure | (10 379) | (11 840) | (12 050) | (10 745) | -10.18 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 189.: Financial Performance: Corporate Services

5.2.19 Financial Services

| Description | 2013/14 | 2014/15 | | | |
|---|---------------|-----------------|-----------------|---------------|--------------------|
| | Actual | Original Budget | Adjusted Budget | Actual | Variance to Budget |
| | R'000 | | | | % |
| Total Operational Revenue | 38 089 | 39 235 | 39 235 | 37 395 | -4.92 |
| Expenditure: | | | | | |
| Employees | 7 876 | 9 023 | 9 023 | 8 344 | -8.13 |
| Repairs and Maintenance | 237 | 629 | 669 | 231 | -172.82 |
| Other | 10 662 | 9 257 | 8 797 | 8 600 | -7.65 |
| Total Operational Expenditure | 18 775 | 18 910 | 18 489 | 17 174 | -10.10 |
| Net Operational (Service) Expenditure | 19 314 | 20 325 | 20 746 | 20 220 | -0.52 |
| Variances are calculated by dividing the difference between the actual and original budget by the actual. | | | | | |

Table 190.: Financial Performance: Financial Services

Chapter 5: Financial Performance

5.3 Grants

5.3.1 Grant Performance

| Grant Performance | | | | | | |
|---|--------------------------------|---------|--------------------|--------|--------------------|--------------------|
| Description | 2013/14 | 2014/15 | | | 2014/15 Variance | |
| | Actual (audited Outcome) | Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| R'000 | | | | | % | |
| Capital Transfers and Grants | | | | | | |
| National Government: | 53 358 | 54 984 | 54 984 | 54 697 | -0.53 | -0.53 |
| Equitable share | 34 819 | 35 342 | 35 342 | 35 342 | 0 | 0 |
| Municipal Systems Improvement | 890 | 934 | 934 | 934 | 0 | 0 |
| Expanded Public Works Programme | 1 234 | 1 000 | 1 000 | 953 | -4.96 | -4.96 |
| MIG - Project Management Unit | 14 866 | 16 108 | 16 108 | 15 868 | -1.51 | -1.51 |
| Finance Management Grant | 1 550 | 1 600 | 1 600 | 1 600 | 0 | 0 |
| Provincial Government: | 7 837 | 17 397 | 857 | 5 117 | -240.00 | 83.25 |
| Housing Accreditation | 458 | 0.00 | 0.00 | 645 | 100.00 | 100.00 |
| Department of Health | 1 311 | 0 | 0 | 3 600 | 100.00 | 100.00 |
| Department of Roads | 560 | 0 | 0 | 0 | 0 | 0 |
| Department of Education | 268 | 0 | 0 | 0 | 0 | 0 |
| Library Grant | 679 | 757 | 757 | 757 | 0 | 0 |
| Integrated National Electrification Programme | 543 | 0 | 0 | 0 | 0 | 0 |
| DWAF | 2 074 | 16 640 | 100 | 93 | -17838.38 | -7.80 |
| Nonzwakazi Revitalisation | 1 943 | 0 | 0 | 22 | 100.00 | 100.00 |
| Total Capital Transfers and Grants | 61 195 | 72 381 | 55 841 | 59 813 | -21.01 | 6.64 |

Table 191.: Grant Performance for 2014/15

Chapter 5: Financial Performance

5.3.2 Conditional Grants

| Details | 2013/14 | 2014/2015 | | | 20114/15 Variance | |
|---|---------|-----------|-----------------|--------|-------------------|-----------------|
| | Actual | Budget | Adjusted Budget | Actual | Variance | |
| | | | | | Budget | Adjusted Budget |
| | | | | | | |
| R'ooo | | | | | % | |
| Financial Management Grant (FMG) | 1 550 | 1 600 | 1 600 | 1 600 | 0 | 0 |
| Municipal Systems Improvement Grant | 890 | 934 | 934 | 934 | 0 | 0 |
| Municipal Infrastructure Grant (MIG) | 13 102 | 12 608 | 16 108 | 13 967 | 9.73 | -15.33 |
| Integrated National Electrification Programme | 542 | 0 | 0 | 0 | 0 | 0 |
| Expanded Public Works Program(EPWP) | 1 234 | 1 000 | 1 000 | 897 | -11.48 | -11.48 |
| EPWP: Pointduty | 1 150 | 0 | 0 | 0 | 0 | 0 |
| Department of Education | 235 | 0 | 0 | 0 | 0 | 0 |
| Mobility Strategy | 2 389 | 0 | 0 | 0 | 0 | 0 |
| Library Grant | 679 | 757 | 757 | 757 | 0 | 0 |
| Housing Grant | 458 | 0 | 0 | 645 | 100 | 100 |
| Working for Water - DWAF | 1 805 | 16 640 | 100 | 81 | -20349.80 | -22.90 |
| Equitable share | 34 819 | 35 342 | 35 342 | 35 342 | 0 | 0 |
| LG Seta | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 58 854 | 68 881 | 55 841 | 54 224 | -27.03 | -2.98 |

Table 192.: Conditional Grant

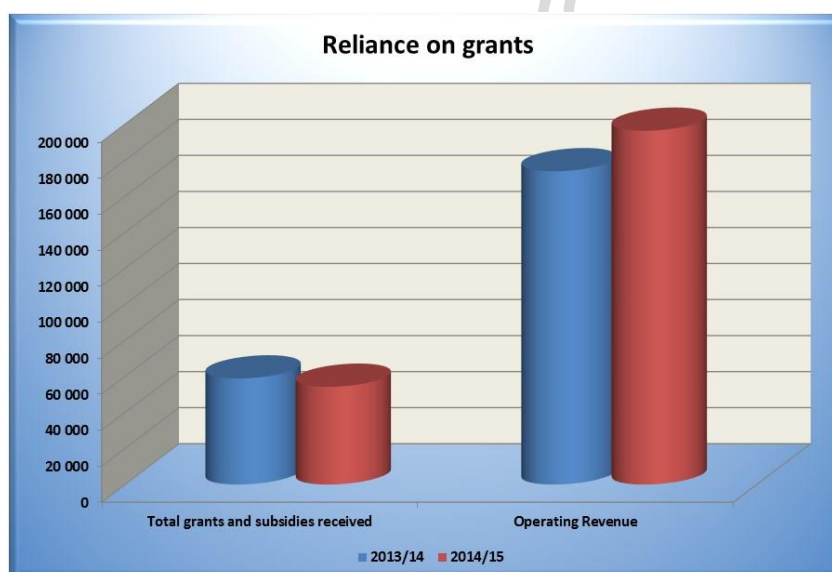
5.3.3 Level of Reliance on Grants & Subsidies

| Financial year | Total grants and subsidies received | Total Operating Revenue | Percentage |
|----------------|-------------------------------------|-------------------------|------------|
| | R'000 | | % |
| 2013/14 | 58 854 | 173 858 | 33.85 |
| 2014/15 | 54 243 | 196 340 | 27.63 |

Table 193.: Reliance on grants

Chapter 5: Financial Performance

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



Graph 12.: Reliance on grants

5.4 Asset Management

5.4.1 Repairs and Maintenance

| Description | 2013/14 | 2014/15 | | | |
|-------------------------------------|---------|-----------------|-------------------|--------|-----------------|
| | Actual | Original Budget | Adjustment Budget | Actual | Budget variance |
| | | R' 000 | | | % |
| Repairs and Maintenance Expenditure | 11 611 | 12 491 | 12 491 | 11 215 | -10.21 |

Table 194.: Repairs & maintenance

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

| Description | Basis of calculation | 2013/14 | 2014/15 |
|---|---|-----------------|---------------------|
| | | Audited outcome | Pre-audited outcome |
| Current Ratio | Current assets/current liabilities | 2.78 | 2.94 |
| Current Ratio adjusted for aged debtors | Current assets less debtors > 90 days/current liabilities | 2.20 | 2.60 |
| Liquidity Ratio | Monetary assets/current liabilities | 0.28 | 0.27 |

Table 195.: Liquidity Financial Ratio

Chapter 5: Financial Performance

5.5.2 IDP Regulation Financial Viability Indicators

| Description | Basis of calculation | 2013/14 | 2014/15 |
|--|---|-----------------|-------------------|
| | | Audited outcome | Pre-audit outcome |
| Cost Coverage | (Available cash + Investments)/monthly fixed operational expenditure | 0.56 | 0.97 |
| Total Outstanding Service Debtors to Revenue | Total outstanding service debtors/annual revenue received for services | 0.33 | 0.55 |
| Debt coverage | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | 9.81 | 7.68 |

Table 196.: Financial Viability National KPAs

5.5.3 Borrowing Management

| Description | Basis of calculation | 2013/14 | 2014/15 |
|--|--|-----------------|-------------------|
| | | Audited outcome | Pre-audit outcome |
| Capital Charges to Operating Expenditure | Interest & Principal Paid /Operating Expenditure | 0.02 | 0.01 |

Table 197.: Borrowing Management

5.5.4 Employee costs

| Description | Basis of calculation | 2013/14 | 2014/15 |
|----------------|--|-----------------|-------------------|
| | | Audited outcome | Pre-audit outcome |
| Employee costs | Employee costs/(Total Revenue - capital revenue) | 34% | 34.40% |

Table 198.: Employee Costs

5.5.5 Repairs & Maintenance

| Description | Basis of calculation | 2013/14 | 2014/15 |
|-----------------------|---|-----------------|-------------------|
| | | Audited outcome | Pre-audit outcome |
| Repairs & Maintenance | R&M (Total Revenue excluding capital revenue) | 0.07 | 0.06 |

Chapter 5: Financial Performance

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Sources of Finance

The table below indicates the capital expenditure by funding source for the 2014/15 financial year:

| Capital Expenditure: Funding Sources | | | | | | |
|--------------------------------------|-----------------|----------------------|-------------------|--------|---------------------------|-----------------------|
| Details | 2013/14 | 2014/15 | | | | |
| | Audited outcome | Original Budget (OB) | Adjustment Budget | Actual | Adjustment to OB Variance | Actual to OB Variance |
| Source of finance | | | | | | |
| Description | R'000 | | | | % | |
| External loans | 0 | 6 000 | 6 000 | 0 | 0.00 | -100.00 |
| Public contributions and donations | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| Grants and subsidies | 19 396 | 28 448 | 15 408 | 13 833 | -45.84 | -105.66 |
| Own funding | 2 061 | 6 141 | 5 991 | 362 | -2.44 | -1597.80 |
| Total | 21 457 | 40 589 | 27 399 | 14 194 | -32.50 | -185.95 |
| Percentage of finance | | | | | | |
| External loans | 0 | 28 | 28 | 0 | | |
| Public contributions and donations | 0 | 0 | 0 | 0 | | |
| Grants and subsidies | 90 | 133 | 72 | 64 | | |
| Own funding | 10 | 15 | 22 | 3 | | |
| Capital expenditure | | | | | | |
| Description | R'000 | | | | % | |
| Water and sanitation | 8 | 50 | 13 | 0 | -82.26 | 0.00 |
| Electricity | 11 | 3 | 5 | 0 | 0.00 | 0.00 |
| Housing | 3 | 0 | 0 | 0 | 0.00 | 0.00 |
| Roads and Stormwater | 72 | 36 | 66 | 97 | 23.78 | -6.39 |
| Other | 6 | 11 | 16 | 3 | 0.00 | -1084.12 |
| Total | 21 457 | 40 589 | 27 399 | 14 194 | -32.50 | -185.95 |
| Percentage of expenditure | | | | | | |
| Water and sanitation | 8 | 50 | 13 | 0 | | |
| Electricity | 11 | 3 | 5 | 0 | | |
| Housing | 3 | 0 | 0 | 0 | | |
| Roads and stormwater | 72 | 36 | 66 | 97 | | |

Chapter 5: Financial Performance

| Capital Expenditure: Funding Sources | | | | | | |
|--------------------------------------|-----------------|----------------------|-------------------|--------|---------------------------|-----------------------|
| Details | 2013/14 | 2014/15 | | | | |
| | Audited outcome | Original Budget (OB) | Adjustment Budget | Actual | Adjustment to OB Variance | Actual to OB Variance |
| Source of finance | | | | | | |
| Description | R'000 | | | | % | |
| Other | 6 | 11 | 16 | 3 | | |

Table 199.: Capital Expenditure by funding source

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

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

5.7 Cash Flow

| Cash Flow Outcomes | | | | |
|---|-----------------|-----------------|-----------------|-----------|
| R'000 | | | | |
| Description | 2013/14 | 2014/15 | | |
| | Audited Outcome | Original Budget | Adjusted Budget | Actual |
| | R'000 | | | |
| Cash flow from operating activities | | | | |
| Receipts | | | | |
| Ratepayers and other | 101 123 | 153 090 | 142 446 | 114 623 |
| Government - operating | 53 830 | 39 633 | 39 633 | 50 909 |
| Government - capital | 0 | 29 248 | 12 708 | 0 |
| Interest | 1 030 | 940 | 940 | 1 596 |
| Dividends | 0 | 0 | 0 | 0 |
| Payments | | | | |
| Suppliers and employees | (141 717) | (163 870) | (163 377) | (151 522) |
| Finance charges | (1 608) | (1 700) | (2 530) | (1 337) |
| Transfers and Grants | 0 | (13 669) | (13 669) | 0 |
| Net cash from/(used) operating activities | 12 659 | 43 672 | 16 151 | 14 269 |
| Cash flows from investing activities | | | | |
| Receipts | | | | |

Chapter 5: Financial Performance

| Cash Flow Outcomes | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| R'000 | | | | |
| Description | 2013/14 | 2014/15 | | |
| | Audited Outcome | Original Budget | Adjusted Budget | Actual |
| | R'000 | | | |
| Proceeds on disposal of PPE | 990 | 120 | 120 | 1 186 |
| Decrease (increase) in non-current debtors | 0 | 0 | 0 | 0 |
| Decrease (increase) other non-current receivables | 0 | 0 | 0 | 0 |
| Decrease (increase) in non-current investments | 0 | 0 | 0 | 0 |
| Payments | | | | |
| Capital assets | (21 552) | (40 589) | (23 899) | (14 194) |
| Net cash from/(used) investing activities | (20 562) | (40 469) | (23 779) | (13 008) |
| Cash flows from financing activities | | | | |
| Receipts | | | | |
| Short term loans | 0 | 6 135 | 6 135 | 0 |
| Borrowing long term/refinancing | 0 | 0 | 0 | 0 |
| Payments | | | | |
| Repayment of borrowing | (2 504) | (3 384) | (3 384) | (2 777) |
| Net cash from/(used) financing activities | (2 504) | 2 751 | 2 751 | (2 777) |
| Net increase/ (decrease) in cash held | (10 407) | 5 954 | (4 878) | (1 515) |
| Cash/cash equivalents at the year begin: | 10 640 | (2 629) | 286 | 233 |
| Cash/cash equivalents at the yearend: | 233 | 3 324 | (4 592) | (1 283) |

Table 200.: Cashflow

5.8 Gross Outstanding Debtors per Service

| Financial year | Rates | Trading services | Economic services | Housing rentals | Other | Total |
|--|--------|-------------------------|-------------------------|-----------------|-------|--------|
| | | (Electricity and Water) | (Sanitation and Refuse) | | | |
| | R'000 | | | | | |
| 2013/14 | 14 299 | 20 472 | 9 122 | 0 | 892 | 44 785 |
| 2014/15 | 21 946 | 21 626 | 10 123 | 0 | 169 | 53 864 |
| Difference | 7 647 | 1 154 | 1 001 | 0 | (723) | 9 079 |
| % growth year on year | 53 | 6 | 11 | 0 | -81 | 20 |
| Note: Figures exclude provision for bad debt | | | | | | |

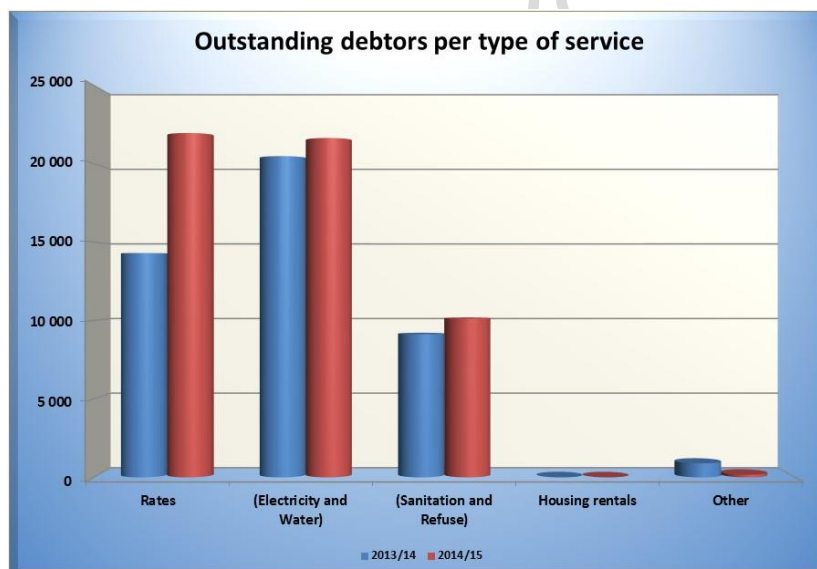
Note: Figures exclude provision for bad debt

Table 201.: Gross outstanding debtors per service



Chapter 5: Financial Performance

The following graph indicates the total outstanding debt per type of service for 2014/15



Graph 13.: Debt per type of service

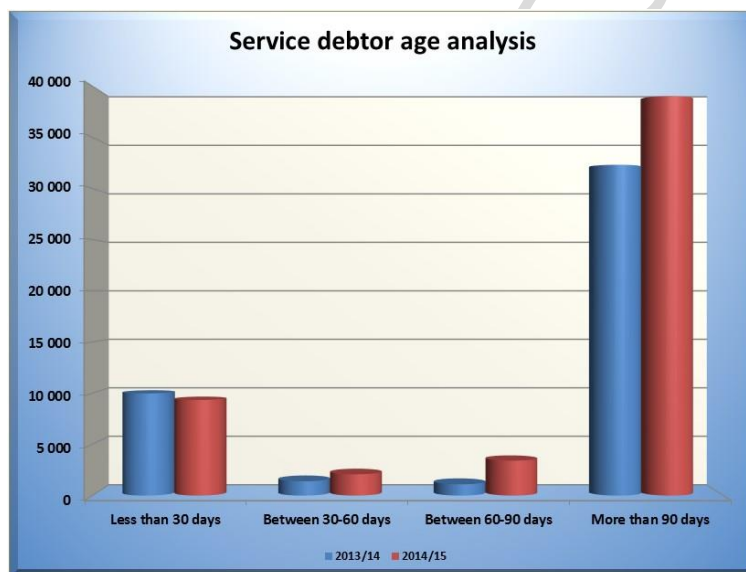
5.9 Total Debtors Age Analysis

| Financial year | Less than 30 days | Between 30-60 days | Between 60-90 days | More than 90 days | Total |
|-----------------------|-------------------|--------------------|--------------------|-------------------|--------|
| | R'000 | | | | |
| 2013/14 | 9 981 | 1 393 | 1 102 | 32 309 | 44 785 |
| 2014/15 | 9 341 | 2 078 | 3 416 | 39 028 | 53 864 |
| Difference | (640) | 685 | 2 314 | 6 719 | 9 079 |
| % growth year on year | -6 | 49 | 210 | 21 | 20 |

Note: Figures exclude provision for bad debt.

Table 202.: Service debtor age analysis

Chapter 5: Financial Performance



Graph 14.: Service debtor age analysis

5.10 Borrowing and Investments

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

5.10.1 Actual Borrowings

| Actual Borrowings | | |
|--|--------------|--------------|
| R' 000 | | |
| Instrument | 2013/14 | 2014/15 |
| | R'000 | |
| Long-Term Loans (annuity/reducing balance) | 5 989 | 3 212 |
| Financial Leases | 64 | 0 |
| Total | 6 053 | 3 212 |

Table 203.: Actual Borrowings

Chapter 5: Financial Performance

5.10.2 Municipal Investments

| Actual Investments | | |
|--------------------|---------------|---------------|
| R'000 | | |
| Investment type | 2013/14 | 2014/15 |
| | Actual | |
| | R'000 | |
| Deposits - Bank | 11 295 | 12 186 |
| Other | 21 | 26 |
| Total | 11 316 | 12 212 |

Table 204.: Municipal Investments

Chapter 6



Chapter 6: Auditor-General Findings

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2013/14

6.1 Auditor General Report 2013/14

| 2013/14 | |
|--|---|
| 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 | |

Chapter 6: Auditor-General Findings

| 2013/14 | |
|---|---|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| 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. |
| 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 employed by the state or connected to any person employed by the state. | MBD documentation will be completed with all procurement. |

Chapter 6: Auditor-General Findings

| 2013/14 | |
|---|---|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| 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 managements 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 |
| 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. |

Chapter 6: Auditor-General Findings

| 2013/14 | |
|--|---|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| 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 205.: AG Report on Financial Performance 2013/14

Chapter 6: Auditor-General Findings

COMPONENT B: AUDITOR-GENERAL OPINION 2014/15

6.2 Auditor General Report 2014/15

| 2014/15 | |
|--|--|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| Financial Statements | |
| Material losses due to electricity losses to the amount of R5 293 327 (R5 497 172) were incurred as a result of tampered and faulty meters, incorrect use of ratio in bulk meters and illegal connections | All relevant information will be taken into account when the distribution losses will be calculated. |
| Compliance with legislation | |
| Strategic and performance management | |
| The performance management system and related controls were not in place as it did not describe and represent the processes of performance reporting and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations. | Clear Standard Operating Procedures will be developed and implemented to ensure that different role-players understand their roles and functions adequately. |
| Audit committee | |
| The audit committee did not advise the council and accounting officer on matters relating to effective governance as required by section 166(2)(a) of the MFMA. | Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively. Quarterly reports from the Audit Committee will be tabled to Council |
| The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA | Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively. |
| Expenditure management | |
| Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA. | Municipality will ensure compliance in this regard |
| Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as required by section 62(1)(d) of the MFMA. | Budgetary Reforms in relation to Unauthorised expenditure and Irregular expenditure will be strengthened to ensure that these expenditure are controlled effectively |
| Asset and liability management | |
| An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA. | With the implementation of SCOA, it will address the weakness and eliminate all Third Party Agreements |
| Internal control | |
| Leadership | |
| The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in | Management will strengthen Internal Controls to ensure that Compliance is met. |

Chapter 6: Auditor-General Findings

| 2014/15 | |
|--|--|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| turn, resulted in irregular and unauthorised expenditure. | |
| Leadership did not regularly monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted. | Management will strengthen Internal Controls to ensure that Compliance is met. |
| Personnel had not been allocated specific duties and responsibilities to facilitate the continuous monitoring of internal controls. | Management will revisit the Job Descriptions and ensure that all staff understand their duties and responsibilities clearly. |
| Leadership did not continuously monitor the audit action plan, and individuals responsible for particular sections of the plan were not held accountable. | Monthly Audit Action Plan meetings will be held. Specific Directorates will report to the Mayor, Executive Committee, MPAC and Municipal Manager on the progress of the Audit Action Plan |
| Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit. | The area of IT will be zoomed during the 2015/2016 financial year. Various meetings with the IT section of Provincial Treasury, IT Service Provider and Management will be conducted to ensure that the majority of weakness in the IT are address timeously |
| Financial and performance management | |
| Weekly and monthly reconciliations were not always adequately prepared for financial items during the year including property rates, creditors, and inventory and consumer deposits. This has resulted in the municipality being required to rely on manual reconciliation at year end. Due to the significant increase in volume of manual reconciliation required, assurance processes were not implemented timely to ensure information is accurate and complete. | Management will strengthen Internal Controls to ensure that Reconciliations are perform weekly and monthly. |
| Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance management systems, processes and procedures had not been designed and implemented. The usefulness and reliability of predetermined information was neither implemented nor monitored. | Management will strengthen Internal Controls to ensure that Compliance is met. |
| Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit. | The area of IT will be zoomed during the 2015/2016 financial year. Various meetings with the IT section of Provincial Treasury, IT Service Provider and Management will be conducted to ensure that the majority of weakness in the IT are address timeously |
| The financial statements were subject to material corrections resulting from the audit, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems. | Management will strengthen Internal Controls to ensure that weaknesses are address before the Financial Statements are submitted to the Office of Auditor General. |
| Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored. | Management will strengthen Internal Controls to ensure that Compliance is met. |
| Governance | |

Chapter 6: Auditor-General Findings

| 2014/15 | |
|--|---|
| Main issues raised under emphasis of matter | Corrective steps implemented/ to be implemented |
| The audit committee was not effective and efficient as it did not advise council on issues of effective governance and did not respond to council on issues raised by the Auditor General. | Management will ensure that the Audit Committee will exercise their roles and responsibilities effectively. |

Table 206.: AG Report on Financial Performance 2014/15

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 |

Abbreviations

| | |
|--------------|---|
| MFMA | Municipal Finance Management Act (Act No. 56 of 2003) |
| MIG | Municipal Infrastructure Grant |
| MM | Municipal Manager |
| MMC | Member of Mayoral Committee |
| MSA | Municipal Systems Act No. 32 of 2000 |
| MTECH | Medium Term Expenditure Committee |
| NCOP | National Council of Provinces |
| NERSA | National Energy Regulator South Africa |
| NGO | Non-governmental organisation |
| NT | National Treasury |
| OPEX | Operating expenditure |
| PMS | Performance Management System |
| PT | Provincial Treasury |
| SALGA | South African Local Government Association |
| SAMDI | South African Management Development Institute |
| SCM | Supply Chain Management |
| SDBIP | Service Delivery and Budget Implementation Plan |
| SDF | Spatial Development Framework |

Annexure A

Financial Statements



EMTHANJENI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2015**

EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2015

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EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 97, 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 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: I Visser

31 August 2015

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
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 2015.

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 2014/2015 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates an increase in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

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

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 | 2015 | 2014 |
|---|--------------|--------------|
| Surplus / (Deficit) before Appropriations | (49 090 771) | (70 534 329) |
| Surplus / (Deficit) at the end of the Year | 909 542 620 | 958 633 391 |
| Expenditure Categories as a percentage of Total Expenses: | | |
| Employee Related Costs | 25,87% | 22,42% |
| Remuneration of Councillors | 1,60% | 1,56% |
| Collection Costs | 0,11% | 0,00% |
| Depreciation and Amortisation | 23,75% | 24,42% |
| Impairment Losses | 13,82% | 19,95% |
| Repairs and Maintenance | 4,34% | 4,35% |
| Interest Paid | 0,52% | 0,60% |
| Bulk Purchases | 18,21% | 16,30% |
| Contracted Services | 3,02% | 2,71% |
| Grants and Subsidies Paid | 0,09% | 0,28% |
| General Expenses | 8,40% | 7,37% |
| Loss on Disposal of Property, Plant and Equipment | 0,29% | 0,00% |
| Inventory Written-off | 0,00% | 0,02% |
| Loss on Sale of Land | 0,00% | 0,03% |
| Current Ratio: | | |
| Trade Creditors Days | 8 | 5 |
| Debtors from Exchange Transactions Days | 119 | 121 |

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (Continue)

2.2 Performance Indicators:

| INDICATOR | 2015 | 2014 |
|--|----------|----------|
| Financial Position | | |
| Debtors Management: | | |
| Outstanding Debtors to Revenue | 26,23% | 26,90% |
| Outstanding Service Debtors to Revenue | 41,23% | 40,78% |
| Liquidity Management: | | |
| Liquidity Ratio | 0,27 | 0,29 |
| Liability Management: | | |
| Capital Cost as percentage of Own Revenue | 0,86% | 1,17% |
| Borrowed Funding as percentage of Own Capital Expenditure | -767,73% | -121,47% |
| Borrowing as percentage of Total Capital Assets | 0,08% | 0,35% |
| Safety of Capital: | | |
| Gearing | 0,08% | 0,34% |
| Financial Viability: | | |
| Debt Coverage | 97,17 | - |
| Cost Coverage | 0,06 | 0,06 |
| Financial Performance | | |
| Expenditure Management: | | |
| Creditors to Cash and Investments | 156,60% | 122,68% |
| Capital Expenditure on Infrastructure to Total Capital Expenditure | 0,00% | 0,00% |

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

3. OPERATING RESULTS

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

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (Continue)

The overall operating results for the year ended 30 June 2015 are as follows:

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|------------------------------------|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income: | | | | | |
| Opening surplus / (deficit) | 956 380 598 | 1 020 534 150 | (6,29)% | 963 379 000 | (0,73)% |
| Operating income for the year | 209 346 567 | 196 553 984 | 6,51% | 202 600 000 | 3,33% |
| | 1 165 727 164 | 1 217 088 134 | | 1 165 979 000 | |
| Expenditure: | | | | | |
| Operating expenditure for the year | 258 437 338 | 267 088 313 | (3,24)% | 202 004 000 | 27,94% |
| Sundry transfers | - | (6 380 777) | (100,00)% | - | 0,00% |
| Closing surplus / (deficit) | 907 289 827 | 956 380 598 | (5,13)% | 963 975 000 | (5,88)% |
| | 1 165 727 164 | 1 217 088 134 | | 1 165 979 000 | |
| | | | | | |

3.1 Rates and General Services:

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

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|--|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income | 78 118 650 | 79 475 217 | (1,71)% | 65 950 000 | 18,45% |
| Expenditure | (120 965 314) | (121 115 891) | (0,12)% | (93 060 000) | 29,99% |
| Surplus / (Deficit) | (42 846 664) | (41 640 674) | 2,90% | (27 110 000) | 58,05% |
| Surplus / (Deficit) as % of total income | (54,85)% | (52,39)% | | (41,11)% | |

Variance from 2015 budget:

The Municipality budgeted that more revenue will be generated through other (other than service charge) revenue. This did however not realise, resulting in the significant variance.

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 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|--|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income | 677 719 | 1 030 963 | (34,26)% | 36 000 | 1782,55% |
| Expenditure | (4 452 101) | (4 630 122) | (3,84)% | (2 109 000) | 111,10% |
| Surplus / (Deficit) | (3 774 382) | (3 599 159) | 4,87% | (2 073 000) | 82,07% |
| Surplus / (Deficit) as % of total income | (556,92)% | (349,11)% | | (5758,33)% | |

Variance from 2014 actual:

The Housing activities undertaken by the Municipality during the year was much less than in the previous year, which resulted in the decrease in the revenue generated.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (Continue)

Variance from 2015 budget:

Based on the abovementioned fact that the Housing Activities undertaken by the Municipality during the year was less than in the previous financial years, the budget was adjusted for this which resulted in the variances.

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 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|--|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income | 43 653 254 | 29 854 516 | 46,22% | 36 644 000 | 19,13% |
| Expenditure | (30 080 081) | (28 977 635) | 3,80% | (27 786 000) | 8,26% |
| Surplus / (Deficit) | 13 573 173 | 876 882 | 1447,89% | 8 858 000 | 53,23% |
| Surplus / (Deficit) as % of total income | 31,09% | 2,94% | | 24,17% | |

Variance from 2014 actual:

The Municipality was able to generate more revenue through its Waste Water Management revenue resources than expected. This is the reason for the fluctuation identified.

Variance from 2015 budget:

The Municipality was able to generate more revenue through its Waste Water Management revenue resources than expected. This is the reason for the fluctuation identified.

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 R45 222 232 (2014: R42 152 616). Tariffs levied for electricity are subject to administered adjustments.

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|--|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income | 67 029 700 | 60 589 837 | 10,63% | 71 350 000 | (6,06)% |
| Expenditure | (80 275 166) | (79 654 853) | 0,78% | (61 956 000) | 29,57% |
| Surplus / (Deficit) | (13 245 466) | (19 065 016) | (30,52)% | 9 394 000 | (241,00)% |
| Surplus / (Deficit) as % of total income | (19,76)% | (31,47)% | | 13,17% | |

Variance from 2015 budget:

Due to the weak recovery of Consumer Debtors, the Municipality had to provide for additional Consumers which were not budgeted for. This resulted in the actual expenditure increasing significantly if compared to the budgeted expenditure. When the actual expenditure is compared to that of the previous financial year, the variance is insignificant.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (Continue)

3.5 Water Services:

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R1 826 423 (2014: R1 382 964). Tariffs levied for water are subject to administered adjustments.

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|--|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Income | 27 325 462 | 25 603 450 | 6,73% | 28 621 000 | (4,53)% |
| Expenditure | (30 122 894) | (32 709 812) | (7,91)% | (17 091 000) | 76,25% |
| Surplus / (Deficit) | (2 797 432) | (7 106 363) | (60,63)% | 11 530 000 | (124,26)% |
| Surplus / (Deficit) as % of total income | (10,24)% | (27,76)% | | 40,29% | |

Variance from 2015 budget:

Due to the weak recovery of Consumer Debtors, the Municipality had to provide for additional Consumers which were not budgeted for. This resulted in the actual expenditure increasing significantly if compared to the budgeted expenditure. When the actual expenditure is compared to that of the previous financial year, the variance is insignificant.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R14 194 318 (2014: R21 457 449). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R14 194 318 was financed as follows:

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|---------------------------------|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Grants and Subsidies | 13 832 615 | 19 396 197 | (28,68)% | 11 908 000 | 16,16% |
| Own Funds (Accumulated Surplus) | 361 703 | 2 061 253 | (82,45)% | 5 991 000 | (93,96)% |
| Borrowings | - | - | - | 6 000 000 | (100,00)% |
| | 14 194 318 | 21 457 449 | (3384,90)% | 23 899 000 | (177,80)% |

Source of funding as a percentage of Total Capital Expenditure:

| DETAILS | 2015 | 2014 |
|----------------------|---------|---------|
| Grants and Subsidies | 97,45% | 90,39% |
| Public Contributions | 2,55% | 9,61% |
| Borrowings | - | - |
| | 100,00% | 100,00% |

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

| DETAILS | 2015 | 2014 |
|---|--------------|--------------|
| <i>Variance per Category:</i> | | |
| Budgeted surplus before appropriations | 599 000 | (10 036 275) |
| Revenue variances | 6 743 567 | 19 234 192 |
| Expenditure variances: | | |
| Employee Related Costs | (3 899 269) | 1 822 845 |
| Remuneration of Councillors | 134 541 | (440 560) |
| Collection Costs | (283 077) | 1 696 003 |
| Depreciation and Amortisation | (52 704 742) | (59 614 973) |
| Impairment Losses | (25 209 096) | (49 401 075) |
| Repairs and Maintenance | (2 864 814) | 8 078 047 |
| Finance Costs | 1 193 450 | (578 279) |
| Bulk Purchases | 480 345 | (1 530 855) |
| Contracted Services | 438 102 | (93 666) |
| Grants and Subsidies Paid | 13 443 534 | 14 158 307 |
| General Expenses | 13 581 915 | 3 537 544 |
| Loss on Disposal of Property, Plant and Equipment | (744 226) | - |
| Inventory Written-off | - | (66 661) |
| Loss on Sale of Land | - | (203 456) |
| Actual surplus before appropriations | (49 090 771) | (73 438 862) |

| DETAILS | 2015 | 2014 |
|--|--------------|--------------|
| <i>Variance per Service Segment:</i> | | |
| Budgeted surplus before appropriations | 599 000 | (10 036 275) |
| Executive and Council | (968 446) | (337 576) |
| Finance and Administration | 511 688 | (1 194 102) |
| Planning and Development | (10 598 086) | (10 317 586) |
| Health | 161 879 | (900 567) |
| Community and Social Services | (14 711 628) | (16 720 019) |
| Housing | (1 701 382) | (2 023 665) |
| Public Safety | 17 015 169 | 17 533 002 |
| Sport and Recreation | 252 854 | 367 516 |
| Environmental Protection | - | - |
| Waste Management | 4 715 173 | (5 751 260) |
| Roads and Transport | (6 684 457) | 10 054 213 |
| Water | (14 327 432) | (20 475 381) |
| Electricity | (22 639 466) | (31 309 145) |
| Other | (715 637) | 576 514 |
| Actual surplus before appropriations | (49 090 771) | (70 534 329) |

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (Continue)

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

5.2 Capital Budget:

| DETAILS | Actual 2015 R | Actual 2014 R | Percentage Variance % | Budgeted 2015 R | Variance actual/ budgeted % |
|-------------------------------|---------------------|---------------------|-----------------------------|-----------------------|-----------------------------------|
| Executive and Council | 9 299 | 585 487 | (98,41)% | 153 000 | (93,92)% |
| Finance and Administration | 173 655 | 199 452 | (12,93)% | 1 317 000 | (86,81)% |
| Planning and Development | - | 499 643 | (100,00)% | 370 000 | (100,00)% |
| Health | 133 979 | - | 100,00% | 12 000 | 1016,49% |
| Community and Social Services | - | 62 903 | (100,00)% | - | (100,00)% |
| Housing | - | 713 769 | (100,00)% | 295 000 | (100,00)% |
| Public Safety | 13 832 615 | - | 100,00% | - | 100,00% |
| Sport and Recreation | 44 770 | - | 100,00% | 85 000 | (47,33)% |
| Environmental Protection | - | - | - | 251 000 | (100,00)% |
| Waste Management | - | - | - | - | - |
| Roads and Transport | - | 15 401 315 | (100,00)% | 4 980 000 | (100,00)% |
| Water | - | 1 681 260 | (100,00)% | 14 716 000 | (100,00)% |
| Electricity | - | 2 313 622 | (100,00)% | 420 000 | (100,00)% |
| Other | - | - | - | 1 300 000 | (100,00)% |
| | 14 194 318 | 21 457 449 | (33,85)% | 23 899 000 | (40,61)% |
| | | | | | |

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

6. ACCUMULATED SURPLUS

| | |
|--|--------------------|
| The balance of the Accumulated Surplus as at 30 June 2015 amounted to R913 107 273 (2014: R962 990 189) and is made up as follows: | |
| Capital Replacement Reserve | 2 252 793 |
| Accumulated Surplus | 907 289 827 |
| | <u>909 542 620</u> |

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

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

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

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R733 677 (2014: R3 230 928).

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R37 013 607 as at 30 June 2015 (2014: R34 020 228) and is made up as follows:

| | |
|--|-------------------|
| Post-retirement Health Care Benefits Liability | 33 925 800 |
| Long Service Awards Liability | 3 087 807 |
| | <u>37 013 607</u> |

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

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

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R16 450 671 as at 30 June 2015 (2014: R15 659 849) and is made up as follows:

| | |
|---|-------------------|
| Provision for Rehabilitation of Land-fill Sites | 16 450 671 |
| | <u>16 450 671</u> |

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

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R45 642 541 as at 30 June 2015 (2014: R43 302 278) and is made up as follows:

| | | |
|--|---------|-------------------|
| Consumer Deposits | Note 13 | 2 111 697 |
| Provisions | Note 14 | 1 346 184 |
| Payables from Exchange Transactions | Note 15 | 19 233 024 |
| Payables from Non-exchange Transactions | Note 16 | 1 609 422 |
| Unspent Conditional Grants and Receipts | Note 17 | 3 760 679 |
| VAT Payable | Note 18 | 1 538 757 |
| Bank Overdraft | Note 5 | 13 564 441 |
| Current Portion of Long-term Liabilities | Note 19 | 2 478 337 |
| | | <u>45 642 541</u> |

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

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R875 317 692 as at 30 June 2015 (2014: R923 981 907).

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

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R253 393 as at 30 June 2015 (2014: R383 791).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R5 004 000 as at 30 June 2015 (2014: R5 004 000).

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 9 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R6 959 273 as at 30 June 2015 (2014: R6 959 273).

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

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

15. NON-CURRENT INVESTMENTS

The Municipality held Investments to the value of R25 639 as at 30 June 2015 (2014: R21 088).

Refer to Note 11 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R1 264 at 30 June 2015 (2014: R1 164) is made up as follows:

| | |
|---|---------------------|
| Other Loans | 1 264 |
| | <u>1 264</u> |
| Less: Short-term portion included in Current Assets | - |
| | <u><u>1 264</u></u> |

Refer to Note 12 for more detail.

17. CURRENT ASSETS

Current Assets amounted R125 401 187 as at 30 June 2015 (2014: R121 847 106) and is made up as follows:

| | | |
|--|--------|---------------------------|
| Inventories | Note 2 | 62 962 514 |
| Receivables from Exchange Transactions | Note 3 | 31 918 169 |
| Receivables from Non-exchange Transactions | Note 4 | 18 236 937 |
| Cash and Cash Equivalents | Note 5 | 12 281 744 |
| Operating Lease Assets | Note 6 | 1 822 |
| | | <u><u>125 401 187</u></u> |

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

Refer to the indicated Notes for more detail.

18. INTER-GOVERNMENTAL GRANTS

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

Refer to Notes 17 and 27, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

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

20. EXPRESSION OF APPRECIATION

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

CHIEF FINANCIAL OFFICER

31 August 2015

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

| | | Actual | |
|--|------|----------------------|----------------------|
| | Note | 2015 | 2014 |
| | | R | Restated R |
| ASSETS | | | |
| Current Assets | | 125 401 187 | 121 847 106 |
| Inventories | 2 | 62 962 514 | 63 059 361 |
| Receivables from Exchange Transactions | 3 | 31 918 169 | 30 486 421 |
| Receivables from Non-exchange Transactions | 4 | 18 236 937 | 16 090 368 |
| Cash and Cash Equivalents | 5 | 12 281 744 | 12 210 203 |
| Current Portion of Operating Lease Receivables | 6 | 1 822 | 752 |
| Non-Current Assets | | 883 981 930 | 931 999 568 |
| Property, Plant and Equipment | 7 | 871 753 038 | 919 625 107 |
| Intangible Assets | 8 | 235 393 | 383 791 |
| Investment Property | 9 | 5 004 000 | 5 004 000 |
| Heritage Assets | 10 | 6 959 273 | 6 959 273 |
| Non-current Investments | 11 | 25 639 | 21 088 |
| Long-term Receivables | 12 | 1 264 | 1 164 |
| Operating Lease Receivables | 6 | 3 323 | 5 144 |
| Total Assets | | 1 009 383 116 | 1 053 846 674 |
| LIABILITIES | | | |
| Current Liabilities | | 45 642 541 | 42 302 278 |
| Consumer Deposits | 13 | 2 111 697 | 1 948 529 |
| Provisions | 14 | 1 346 184 | 1 413 504 |
| Payables from Exchange Transactions | 15 | 19 233 024 | 14 979 053 |
| Payables from Non-exchange Transactions | 16 | 1 609 422 | 1 416 698 |
| Unspent Conditional Grants and Receipts | 17 | 3 760 679 | 7 095 267 |
| VAT Payable | 18 | 1 538 757 | 713 849 |
| Bank Overdraft | 5 | 13 564 441 | 11 977 403 |
| Current Portion of Long-term Liabilities | 19 | 2 478 337 | 2 757 975 |
| Non-Current Liabilities | | 54 197 955 | 52 911 005 |
| Long-term Liabilities | 19 | 733 677 | 3 230 928 |
| Employee Benefit Liabilities | 20 | 37 013 607 | 34 020 228 |
| Non-current Provisions | 21 | 16 450 671 | 15 659 849 |
| Total Liabilities | | 99 840 497 | 95 213 283 |
| Total Assets and Liabilities | | 909 542 620 | 958 633 390 |
| NET ASSETS | | 909 542 620 | 958 633 391 |
| Accumulated Surplus / (Deficit) | 22 | 909 542 620 | 958 633 391 |
| Total Net Assets | | 909 542 620 | 958 633 391 |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| | | Actual | |
|---|-----------|---------------------|---------------------|
| | Note | 2015 | 2014 |
| | | R | Restated R |
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | | |
| Property Rates | 24 | 21 905 068 | 21 035 469 |
| Property Rates - Penalties imposed and collection charges | 30 | 170 342 | 149 924 |
| Fines | 25 | 23 010 886 | 17 764 513 |
| Licences and Permits | 26 | 1 256 930 | 1 304 582 |
| Government Grants and Subsidies Received | 27 | 54 243 255 | 58 853 606 |
| Revenue from Exchange Transactions | | | |
| Service Charges | 27 | 97 740 808 | 91 654 816 |
| Rental of Facilities and Equipment | 28 | 1 188 905 | 747 144 |
| Interest Earned - External Investments | 29 | 950 399 | 1 030 475 |
| Interest Earned - Outstanding Debtors | 29 | 645 761 | 625 352 |
| Other Revenue | 30 | 7 251 038 | 3 216 902 |
| Gains on Other Operations | 43 | 4 551 | 7 108 |
| Gains on Disposal of Property, Plant and Equipment | 44 | - | 164 092 |
| Profit on Sale of Land | 31 | 978 624 | - |
| Total Revenue | | 209 346 567 | 196 553 984 |
| EXPENDITURE | | | |
| Employee Related Costs | 32 | 66 864 269 | 59 893 633 |
| Remuneration of Councillors | 33 | 4 126 459 | 4 157 184 |
| Collection Costs | 34 | 283 077 | - |
| Depreciation and Amortisation | 35 | 61 385 742 | 65 213 569 |
| Impairment Losses | 36 | 35 712 096 | 53 282 721 |
| Repairs and Maintenance | 37 | 11 214 814 | 11 610 873 |
| Finance Costs | 38 | 1 336 550 | 1 607 928 |
| Bulk Purchases | 39 | 47 048 655 | 43 535 580 |
| Contracted Services | 40 | 7 799 898 | 7 227 685 |
| Grants and Subsidies Paid | 41 | 225 467 | 750 004 |
| General Expenses | 42 | 21 696 085 | 19 672 718 |
| Loss on Disposal of Property, Plant and Equipment | 44 | 744 226 | - |
| Inventory Written-off | | - | 66 661 |
| Loss on Sale of Land | 31 | - | 69 756 |
| Total Expenditure | | 258 437 338 | 267 088 313 |
| SURPLUS / (DEFICIT) FOR THE YEAR | | (49 090 771) | (70 534 329) |

Refer to Budget Statement for explanation of budget variances

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

| Description | Accumulated Surplus / (Deficit) Account | | Total for Accumulated Surplus/(Deficit) Account | Total |
|---------------------------------------|---|---------------------------------------|--|----------------------|
| | Capital Replacement Reserve | Accumulated Surplus / (Deficit) | | |
| | R | R | R | R |
| 2014 | | | | |
| Balance at 1 July 2013 | 2 252 793 | 1 020 534 150 | 1 022 786 943 | 1 022 786 943 |
| Change in Accounting Policy (Note 45) | - | 6 959 273 | 6 959 273 | 6 959 273 |
| Correction of Error (Note 46) | - | (578 496) | (578 496) | (578 496) |
| Restated Balance | 2 252 793 | 1 026 914 927 | 1 029 167 720 | 1 029 167 720 |
| Surplus / (Deficit) for the year | | (70 534 329) | (70 534 329) | (70 534 329) |
| Balance at 30 June 2014 | 2 252 793 | 956 380 598 | 958 633 391 | 958 633 391 |
| 2015 | | | | |
| Restated Balance at 1 July 2014 | 2 252 793 | 956 380 598 | 958 633 391 | 958 633 391 |
| Surplus / (Deficit) for the year | | (49 090 771) | (49 090 771) | (49 090 771) |
| Balance at 30 June 2015 | - | 907 289 827 | 909 542 620 | 909 542 620 |

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

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

| | | Actual | |
|---|------|----------------------------|----------------------------|
| | Note | 2015 | 2014 |
| | | R | Restated R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Property Rates | | 23 561 393 | 17 407 400 |
| Government Grant and Subsidies | | 50 908 667 | 53 829 613 |
| Service Charges | | 81 297 351 | 86 505 562 |
| Interest Received | | 1 596 161 | 1 030 475 |
| Other Receipts | | 9 763 994 | (2 789 785) |
| Payments | | | |
| Employee Related Costs | | (61 863 068) | (56 840 637) |
| Remuneration of Councillors | | (4 126 459) | (4 157 184) |
| Interest Paid | | (1 336 550) | (1 607 928) |
| Suppliers Paid | | (85 494 640) | (83 052 723) |
| Other Payments | | (37 361) | 2 333 858 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 48 | <u>14 269 486</u> | <u>12 658 650</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 9 | (14 172 439) | (21 458 762) |
| Purchase of Intangible Assets | 10 | (21 879) | (92 919) |
| Proceeds on Disposal of Property, Plant and Equipment | 44 | - | 519 161 |
| Proceeds on Sale of Land | 31 | 1 186 324 | 470 543 |
| Decrease / (Increase) in Long-term Receivables | 12 | (100) | - |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u>(13 008 094)</u> | <u>(20 561 977)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Borrowings | 19 | (2 776 889) | (2 503 720) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | <u>(2 776 889)</u> | <u>(2 503 720)</u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>(1 515 497)</u> | <u>(10 407 047)</u> |
| Cash and Cash Equivalents at Beginning of Period | 5 | 232 800 | 10 639 847 |
| Cash and Cash Equivalents at End of Period | 5 | (1 282 697) | 232 800 |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|----------------------|----------------------|-----------------------------|---|--|
| R | R | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Inventories | 45 899 000 | - | 45 899 000 | - | - | 45 899 000 | 62 962 514 | 17 063 514 | 37,18% | 37,18% |
| Receivables from Exchange Transactions | 9 171 000 | - | 9 171 000 | - | - | 9 171 000 | 31 918 169 | 22 747 169 | 248,03% | 248,03% |
| Receivables from Non-exchange Transactions | 9 243 000 | - | 9 243 000 | - | - | 9 243 000 | 18 236 937 | 8 993 937 | 97,31% | 97,31% |
| Cash and Cash Equivalents | 14 632 000 | - | 14 632 000 | - | - | 14 632 000 | 12 281 744 | (2 350 256) | (16,06)% | (16,06)% |
| Current Portion of Operating Lease Receivables | - | - | - | - | - | - | 1 822 | 1 822 | 100,00% | 100,00% |
| Non-Current Assets | | | | | | | | | | |
| Property, Plant and Equipment | 942 332 000 | - | 942 332 000 | - | - | 942 332 000 | 871 753 038 | (70 578 962) | (7,49)% | (7,49)% |
| Intangible Assets | 1 283 000 | - | 1 283 000 | - | - | 1 283 000 | 235 393 | (1 047 607) | (81,65)% | (81,65)% |
| Investment Property | 4 272 000 | - | 4 272 000 | - | - | 4 272 000 | 5 004 000 | 732 000 | 17,13% | 17,13% |
| Heritage Assets | - | - | - | - | - | - | 6 959 273 | 6 959 273 | 100,00% | 100,00% |
| Non-current Investments | - | - | - | - | - | - | 25 639 | 25 639 | 100,00% | 100,00% |
| Long-term Receivables | 168 000 | - | 168 000 | - | - | 168 000 | 1 264 | (166 736) | (99,25)% | (99,25)% |
| Operating Lease Receivables | - | - | - | - | - | - | 3 323 | 3 323 | 100,00% | 100,00% |
| Total Assets | 1 027 000 000 | - | 1 027 000 000 | - | - | 1 027 000 000 | 1 009 383 116 | (17 616 884) | | |
| Current Liabilities | | | | | | | | | | |
| Consumer Deposits | 1 932 000 | - | 1 932 000 | - | - | 1 932 000 | 2 111 697 | 179 697 | 9,30% | 9,30% |
| Provisions | 2 017 000 | - | 2 017 000 | - | - | 2 017 000 | 1 346 184 | (670 816) | (33,26)% | (33,26)% |
| Payables from Exchange Transactions | 11 306 000 | - | 11 306 000 | - | - | 11 306 000 | 19 233 024 | 7 927 024 | 70,11% | 70,11% |
| Payables from Non-exchange Transactions | - | - | - | - | - | - | 1 609 422 | 1 609 422 | (100,00)% | (100,00)% |
| Unspent Conditional Grants and Receipts | - | - | - | - | - | - | 3 760 679 | 3 760 679 | (100,00)% | (100,00)% |
| VAT Payable | - | - | - | - | - | - | 1 538 757 | 1 538 757 | (100,00)% | (100,00)% |
| Bank Overdraft | 1 026 000 | - | 1 026 000 | - | - | 1 026 000 | 13 564 441 | 12 538 441 | 1222,07% | 1222,07% |
| Current Portion of Long-term Liabilities | 1 374 000 | - | 1 374 000 | - | - | 1 374 000 | 2 478 337 | 1 104 337 | 80,37% | 80,37% |
| Non-Current Liabilities | | | | | | | | | | |
| Long-term Liabilities | 11 176 000 | - | 11 176 000 | - | - | 11 176 000 | 733 677 | (10 442 323) | (93,44)% | (93,44)% |
| Retirement Benefit Liabilities | 34 194 000 | - | 34 194 000 | - | - | 34 194 000 | 37 013 607 | 2 819 607 | 8,25% | 8,25% |
| Non-current Provisions | - | - | - | - | - | - | 16 450 671 | 16 450 671 | 100,00% | 100,00% |
| Total Liabilities | 63 025 000 | - | 63 025 000 | - | - | 63 025 000 | 99 840 497 | 36 815 497 | | |
| Total Assets and Liabilities | 963 975 000 | - | 963 975 000 | - | - | 963 975 000 | 909 542 620 | (54 432 380) | | |
| Net Assets (Equity) | | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 963 975 000 | - | 963 975 000 | - | - | 963 975 000 | 909 542 620 | (54 432 380) | (5,65)% | (5,65)% |
| Total Net Assets | 963 975 000 | - | 963 975 000 | - | - | 963 975 000 | 909 542 620 | (54 432 380) | | |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Position: Explanation of Variances between Approved Budget and Actual

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

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

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

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

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

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

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

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

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

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

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

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

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

Payables from Non-exchange Transactions:
 The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

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

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

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

Current Portion of Long-term Liabilities:
 Please refer to the explanation provided under the 'Long-term Liabilities'.

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

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

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

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|--------------------|---------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| FINANCIAL PERFORMANCE | | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | | |
| Property Rates | 23 785 000 | - | 23 785 000 | - | - | 23 785 000 | 21 905 068 | (1 879 932) | (7,90)% | (7,90)% |
| Property Rates - Penalties imposed and collection charges | - | - | - | - | - | - | 170 342 | 170 342 | 100,00% | 100,00% |
| Fines | 6 624 000 | - | 6 624 000 | - | - | 6 624 000 | 23 010 886 | 16 386 886 | 247,39% | 247,39% |
| Licences and Permits | 1 874 000 | - | 1 874 000 | - | - | 1 874 000 | 1 256 930 | (617 070) | (32,93)% | (32,93)% |
| Government Grants and Subsidies Received | 68 881 000 | (16 540 000) | 52 341 000 | - | - | 52 341 000 | 54 243 255 | 1 902 255 | 3,63% | (21,25)% |
| Revenue from Exchange Transactions | | | | | | | | | | |
| Service Charges | 100 511 000 | (4 147 000) | 96 364 000 | - | - | 96 364 000 | 97 740 808 | 1 376 808 | 1,43% | (2,76)% |
| Rental of Facilities and Equipment | 755 000 | (153 000) | 602 000 | - | - | 602 000 | 1 188 905 | 586 905 | 97,49% | 57,47% |
| Interest Earned - External Investments | 940 000 | - | 940 000 | - | - | 940 000 | 950 399 | 10 399 | 1,11% | 1,11% |
| Interest Earned - Outstanding Debtors | 819 000 | - | 819 000 | - | - | 819 000 | 645 761 | (173 239) | (21,15)% | (21,15)% |
| Other Income | 25 131 000 | (6 000 000) | 19 131 000 | - | - | 19 131 000 | 7 251 038 | (11 879 962) | (62,10)% | (71,15)% |
| Gains on Other Operations | - | - | - | - | - | - | 4 551 | 4 551 | 100,00% | 100,00% |
| Gains on Disposal of Property, Plant and Equipment | 120 000 | - | 120 000 | - | - | 120 000 | - | (120 000) | (100,00)% | (100,00)% |
| Profit on Sale of Land | - | - | - | - | - | - | 978 624 | 978 624 | #DIV/0! | #DIV/0! |
| Total Revenue | 229 440 000 | (26 840 000) | 202 600 000 | - | - | 202 600 000 | 209 346 567 | 6 746 567 | | |
| Expenditure | | | | | | | | | | |
| Employee Related Costs | 62 980 000 | (15 000) | 62 965 000 | - | - | 62 965 000 | 66 864 269 | 3 899 269 | 6,19% | 6,17% |
| Remuneration of Councillors | 4 308 000 | (47 000) | 4 261 000 | - | - | 4 261 000 | 4 126 459 | (134 541) | (3,16)% | (4,21)% |
| Collection Costs | - | - | - | - | - | - | 283 077 | 283 077 | 100,00% | 100,00% |
| Depreciation and Amortisation | 8 681 000 | - | 8 681 000 | - | - | 8 681 000 | 61 385 742 | 52 704 742 | 607,13% | 607,13% |
| Impairment Losses | 10 827 000 | (324 000) | 10 503 000 | - | - | 10 503 000 | 35 712 096 | 25 209 096 | 240,02% | 229,84% |
| Repairs and Maintenance | 8 350 000 | - | 8 350 000 | - | - | 8 350 000 | 11 214 814 | 2 864 814 | 34,31% | 34,31% |
| Finance Costs | 1 700 000 | 830 000 | 2 530 000 | - | - | 2 530 000 | 1 336 550 | (1 193 450) | (47,17)% | (21,38)% |
| Bulk Purchases | 47 529 000 | - | 47 529 000 | - | - | 47 529 000 | 47 048 655 | (480 345) | (1,01)% | (1,01)% |
| Contracted Services | 8 830 000 | (592 000) | 8 238 000 | - | - | 8 238 000 | 7 799 898 | (438 102) | (5,32)% | (11,67)% |
| Grants and Subsidies Paid | 13 669 000 | - | 13 669 000 | - | - | 13 669 000 | 225 467 | (13 443 534) | (98,35)% | (98,35)% |
| General Expenses | 34 793 000 | 485 000 | 35 278 000 | - | - | 35 278 000 | 21 696 085 | (13 581 915) | (38,50)% | (37,64)% |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | - | - | 744 226 | 744 226 | 100,00% | 100,00% |
| Total Expenditure | 201 667 000 | 337 000 | 202 004 000 | - | - | 202 004 000 | 258 437 338 | 56 433 338 | | |
| Surplus/(Deficit) | 27 773 000 | (27 177 000) | 596 000 | - | - | 596 000 | (49 090 771) | (49 686 771) | (8336,71)% | (276,76)% |
| Surplus/(Deficit for the Year) | 27 773 000 | (27 177 000) | 596 000 | - | - | 596 000 | (49 090 771) | (49 686 771) | | |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

Property Rates - Penalties imposed and collection charges:

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

Fines:

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

Licences and Permits:

The Municipality was not able to generate the desired revenue through their License and Permits Department.

Rental of Facilities and Equipment:

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

Interest Earned - Outstanding Debtors:

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

Other Income:

The Municipality was not able to generate the desired revenue.

Gains on Other Operations:

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

Gains on Disposal of Property, Plant and Equipment:

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

Profit on Sale of Land:

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

Collection Costs:

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

Depreciation and Amortisation:

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

Impairment Losses:

debtor was impaired.

Grants and Subsidies Paid:

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

Loss on Disposal of Property, Plant and Equipment:

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

2015

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|-------------------|-------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | | |
| Executive and Council | 153 000 | - | 153 000 | - | - | 153 000 | 9 299 | (143 701) | (93,92)% | (93,92)% |
| Finance and Administration | 1 317 000 | - | 1 317 000 | - | - | 1 317 000 | 173 655 | (1 143 345) | (86,81)% | (86,81)% |
| Planning and Development | 370 000 | - | 370 000 | - | - | 370 000 | - | (370 000) | (100,00)% | (100,00)% |
| Health | 12 000 | - | 12 000 | - | - | 12 000 | 133 979 | 121 979 | 1016,49% | 1016,49% |
| Community and Social Services | - | - | - | - | - | - | - | - | - | - |
| Housing | 295 000 | - | 295 000 | - | - | 295 000 | - | (295 000) | (100,00)% | (100,00)% |
| Public Safety | - | - | - | - | - | - | 13 832 615 | 13 832 615 | 100,00% | 100,00% |
| Sport and Recreation | 85 000 | - | 85 000 | - | - | 85 000 | 44 770 | (40 230) | (47,33)% | (47,33)% |
| Environmental Protection | 251 000 | - | 251 000 | - | - | 251 000 | - | (251 000) | (100,00)% | (100,00)% |
| Waste Management | - | - | - | - | - | - | - | - | - | - |
| Roads and Transport | 4 980 000 | - | 4 980 000 | - | - | 4 980 000 | - | (4 980 000) | (100,00)% | (100,00)% |
| Water | 14 716 000 | - | 14 716 000 | - | - | 14 716 000 | - | (14 716 000) | (100,00)% | (100,00)% |
| Electricity | 17 110 000 | (16 690 000) | 420 000 | - | - | 420 000 | - | (420 000) | (100,00)% | (100,00)% |
| Other | 1 300 000 | - | 1 300 000 | - | - | 1 300 000 | - | (1 300 000) | (100,00)% | (100,00)% |
| Total Capital Expenditure | 40 589 000 | (16 690 000) | 23 899 000 | - | - | 23 899 000 | 14 194 318 | (9 704 682) | | |

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

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

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|--------------------|--------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| CASH FLOW | | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | | |
| Property Rates | 153 090 000 | (10 644 000) | 142 446 000 | - | - | 142 446 000 | 23 561 393 | (118 884 607) | (83,46)% | (84,61)% |
| Grants | 68 881 000 | (16 540 000) | 52 341 000 | - | - | 52 341 000 | 50 908 667 | (1 432 333) | (2,74)% | (26,09)% |
| Service Charges | - | - | - | - | - | - | 81 297 351 | 81 297 351 | 100,00% | 100,00% |
| Interest Received | 940 000 | - | 940 000 | - | - | 940 000 | 1 596 161 | 656 161 | 69,80% | 69,80% |
| Other Receipts | - | - | - | - | - | - | 9 763 994 | 9 763 994 | 100,00% | 100,00% |
| Employee Related Costs | (163 870 000) | 493 000 | (163 377 000) | - | - | (163 377 000) | (61 863 068) | 101 513 932 | (62,13)% | (62,25)% |
| Remuneration of Councillors | - | - | - | - | - | - | (4 126 459) | (4 126 459) | 100,00% | 100,00% |
| Interest Paid | (1 700 000) | (830 000) | (2 530 000) | - | - | (2 530 000) | (1 336 550) | 1 193 450 | (47,17)% | (21,38)% |
| Suppliers Paid | - | - | - | - | - | - | (85 494 640) | (85 494 640) | 100,00% | 100,00% |
| Other Payments | (13 669 000) | - | (13 669 000) | - | - | (13 669 000) | (37 361) | 13 631 639 | (99,73)% | (99,73)% |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (40 589 000) | 16 690 000 | (23 899 000) | - | - | (23 899 000) | (14 194 318) | 9 704 682 | (40,61)% | (65,03)% |
| Proceeds on Disposal of Property, Plant and Equipment | 120 000 | - | 120 000 | - | - | 120 000 | 1 186 324 | 1 066 324 | 888,60% | 888,60% |
| Decrease / (Increase) in Long-term Receivables | - | - | - | - | - | - | (100) | (100) | (100,00)% | (100,00)% |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | | |
| New Loans raised | 6 000 000 | - | 6 000 000 | - | - | 6 000 000 | - | (6 000 000) | (100,00)% | (100,00)% |
| Loans repaid | (3 384 000) | - | (3 384 000) | - | - | (3 384 000) | (2 776 889) | 607 111 | (17,94)% | (17,94)% |
| Increase / (Decrease) in Consumer Deposits | 135 000 | - | 135 000 | - | - | 135 000 | - | (135 000) | (100,00)% | (100,00)% |
| Cash and Cash Equivalents at End of the Year | 5 954 000 | (10 831 000) | (4 877 000) | - | - | (4 877 000) | (1 515 495) | 3 361 505 | | |
| Cash Flow: Explanation of Variances between Approved Budget and Actual | | | | | | | | | | |
| Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below: | | | | | | | | | | |
| The Municipality was unable to ensure that less money is spent than budgeted for through implemented cost savings methods. | | | | | | | | | | |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|--------------------|----------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Inventories | 43 301 000 | - | 43 301 000 | - | - | 43 301 000 | 63 059 361 | 19 758 361 | 45,63% | 45,63% |
| Receivables from Exchange Transactions | 12 037 000 | - | 12 037 000 | - | - | 12 037 000 | 30 486 421 | 18 449 421 | 153,27% | 153,27% |
| Receivables from Non-exchange Transactions | 8 558 000 | - | 8 558 000 | - | - | 8 558 000 | 16 090 368 | 7 532 368 | 88,02% | 88,02% |
| Cash and Cash Equivalents | 13 301 000 | (3 063 000) | 10 238 000 | - | - | 10 238 000 | 12 210 203 | 1 972 203 | 19,26% | (8,20)% |
| Current Portion of Operating Lease Receivables | - | - | - | - | - | - | 752 | 752 | 100,00% | 100,00% |
| Non-Current Assets | | | | | | | | | | |
| Property, Plant and Equipment | 888 993 000 | (23 205 000) | 865 788 000 | - | - | 865 788 000 | 919 625 107 | 53 837 107 | 6,22% | 3,45% |
| Intangible Assets | 1 166 000 | - | 1 166 000 | - | - | 1 166 000 | 383 791 | (782 209) | (67,08)% | (67,08)% |
| Investment Property | 4 272 000 | - | 4 272 000 | - | - | 4 272 000 | 5 004 000 | 732 000 | 17,13% | 17,13% |
| Heritage Assets | - | - | - | - | - | - | 6 959 273 | 6 959 273 | 100,00% | 100,00% |
| Non-current Investments | 177 000 | - | 177 000 | - | - | 177 000 | 21 088 | (155 912) | (88,09)% | (88,09)% |
| Long-term Receivables | - | - | - | - | - | - | 1 164 | 1 164 | 100,00% | 100,00% |
| Operating Lease Receivables | - | - | - | - | - | - | 5 144 | 5 144 | 100,00% | 100,00% |
| Total Assets | 971 805 000 | (26 268 000) | 945 537 000 | - | - | 945 537 000 | 1 053 846 674 | 108 309 674 | | |
| Current Liabilities | | | | | | | | | | |
| Consumer Deposits | 1 899 000 | - | 1 899 000 | - | - | 1 899 000 | 1 948 529 | 49 529 | 2,61% | 2,61% |
| Provisions | 1 920 000 | - | 1 920 000 | - | - | 1 920 000 | 1 413 504 | (506 496) | (26,38)% | (26,38)% |
| Payables from Exchange Transactions | 5 924 000 | - | 5 924 000 | - | - | 5 924 000 | 14 979 053 | 9 055 053 | 152,85% | 152,85% |
| Payables from Non-exchange Transactions | - | - | - | - | - | - | 1 416 698 | 1 416 698 | 100,00% | 11,38% |
| Unspent Conditional Grants and Receipts | 1 272 000 | - | 1 272 000 | - | - | 1 272 000 | 7 095 267 | 5 823 267 | 457,80% | 104,47% |
| VAT Payable | 3 470 000 | - | 3 470 000 | - | - | 3 470 000 | 713 849 | (2 756 151) | (79,43)% | 10,00% |
| Bank Overdraft | 1 251 000 | - | 1 251 000 | - | - | 1 251 000 | 11 977 403 | 10 726 403 | 857,43% | 857,43% |
| Current Portion of Long-term Liabilities | 1 296 000 | - | 1 296 000 | - | - | 1 296 000 | 2 757 975 | 1 461 975 | 112,81% | 112,81% |
| Non-Current Liabilities | | | | | | | | | | |
| Long-term Liabilities | 10 543 000 | - | 10 543 000 | - | - | 10 543 000 | 3 230 928 | (7 312 072) | (69,35)% | (69,35)% |
| Retirement Benefit Liabilities | 29 224 000 | - | 29 224 000 | - | - | 29 224 000 | 34 020 228 | 4 796 228 | 16,41% | 16,41% |
| Non-current Provisions | 3 035 000 | - | 3 035 000 | - | - | 3 035 000 | 15 659 849 | 12 624 849 | 415,98% | 415,98% |
| Total Liabilities | 59 834 000 | - | 59 834 000 | - | - | 59 834 000 | 95 213 283 | 35 379 283 | | |
| Total Assets and Liabilities | 911 971 000 | (26 268 000) | 885 703 000 | - | - | 885 703 000 | 958 633 390 | 72 930 390 | | |
| Net Assets (Equity) | | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 911 971 000 | (26 268 000) | 885 703 000 | - | - | 885 703 000 | 958 633 391 | 72 930 391 | 8,23% | 5,12% |
| Total Net Assets | 911 971 000 | (26 268 000) | 885 703 000 | - | - | 885 703 000 | 958 633 391 | 72 930 391 | | |
| | | | | | | | (0) | (0) | | |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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

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.

VAT Receivable:

Management budgeted for a VAT payable at yearend. Due to the significant increase in the impairment provision, the VAT portion of the provision resulted in a receivable being recognised at yearend.

Cash and Cash Equivalents:

Management anticipated a decrease in cash and cash equivalents due to the significant increase in the impairment provision. Management expected that sufficient cash would be available to cover the provision, but this was not the case.

Operating Lease Receivables:

This movement represents an accounting entry, as required by GRAP 13: Leases, and was not budgeted for.

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:

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

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.

Provisions:

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

Payables from Exchange Transactions:

In prior financial years, the municipality did not recognise any retention fees at yearend. This error was subsequently (and retrospectively) corrected. The aforementioned, with the increase in other creditors resulted in the unexpected

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:

Please refer to 'VAT Receivable' for the supporting explanation.

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.

Retirement Benefit Liabilities:

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

Non-current Provisions:

The unexpected increase in the Landfill Site provision recorded in the 2012/2013 financial year, resulted in the lower budgeted amount.

Accumulated Surplus / (Deficit):

Due to the errors identified during the financial year and the retrospective adjustment thereof.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|--------------------|---------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| FINANCIAL PERFORMANCE | | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | | |
| Property Rates | 21 373 000 | - | 21 373 000 | - | - | 21 373 000 | 21 035 469 | (337 531) | (1,58)% | (1,58)% |
| Property Rates - Penalties imposed and collection charges | - | - | - | - | - | - | 149 924 | 149 924 | 100,00% | 100,00% |
| Fines | 7 543 000 | (2 765 000) | 4 778 000 | - | - | 4 778 000 | 17 764 513 | 12 986 513 | 271,80% | 135,51% |
| Licences and Permits | 1 230 000 | - | 1 230 000 | - | - | 1 230 000 | 1 304 582 | 74 582 | 6,06% | 6,06% |
| Government Grants and Subsidies Received | 76 877 000 | (23 500 000) | 53 377 000 | - | - | 53 377 000 | 58 853 606 | 5 476 606 | 10,26% | (23,44)% |
| Revenue from Exchange Transactions | | | | | | | | | | |
| Service Charges | 96 874 000 | (5 141 000) | 91 733 000 | - | - | 91 733 000 | 91 654 816 | (78 184) | (0,09)% | (5,39)% |
| Rental of Facilities and Equipment | 529 000 | - | 529 000 | - | - | 529 000 | 747 144 | 218 144 | 41,24% | 41,24% |
| Interest Earned - External Investments | 792 000 | 1 000 | 793 000 | - | - | 793 000 | 1 030 475 | 237 475 | 29,95% | 30,11% |
| Interest Earned - Outstanding Debtors | 741 000 | (1 000) | 740 000 | - | - | 740 000 | 625 352 | (114 648) | (15,49)% | (15,61)% |
| Other Income | 16 713 000 | 2 824 000 | 19 537 000 | - | - | 19 537 000 | 3 216 902 | (16 320 098) | (83,53)% | (80,75)% |
| Gains on Other Operations | - | - | - | - | - | - | 7 108 | 7 108 | 100,00% | 100,00% |
| Gains on Disposal of Property, Plant and Equipment | 80 000 | - | 80 000 | - | - | 80 000 | 164 092 | 84 092 | 105,12% | 105,12% |
| Total Revenue | 222 752 000 | (28 582 000) | 194 170 000 | - | - | 194 170 000 | 196 553 984 | 2 383 984 | | |
| Expenditure | | | | | | | | | | |
| Employee Related Costs | 59 618 000 | 1 422 000 | 61 040 000 | - | - | 61 040 000 | 59 893 633 | (1 146 367) | (1,88)% | 0,46% |
| Remuneration of Councillors | 3 918 000 | 237 000 | 4 155 000 | - | - | 4 155 000 | 4 157 184 | 2 184 | 0,05% | 6,10% |
| Collection Costs | - | - | - | - | - | - | - | - | - | - |
| Depreciation and Amortisation | 8 479 000 | (10 000) | 8 469 000 | - | - | 8 469 000 | 65 213 569 | 56 744 569 | 670,03% | 669,12% |
| Impairment Losses | 8 627 000 | - | 8 627 000 | - | - | 8 627 000 | 53 282 721 | 44 655 721 | 517,63% | 517,63% |
| Repairs and Maintenance | 8 178 000 | 31 000 | 8 209 000 | - | - | 8 209 000 | 11 610 873 | 3 401 873 | 41,44% | 41,98% |
| Finance Costs | 933 000 | 97 000 | 1 030 000 | - | - | 1 030 000 | 1 607 928 | 577 928 | 56,11% | 72,34% |
| Bulk Purchases | 44 159 000 | (2 154 000) | 42 005 000 | - | - | 42 005 000 | 43 535 580 | 1 530 580 | 3,64% | (1,41)% |
| Contracted Services | 7 026 000 | (1 726 000) | 5 300 000 | - | - | 5 300 000 | 7 227 685 | 1 927 685 | 36,37% | 2,87% |
| Grants and Subsidies Paid | 12 422 000 | 2 508 000 | 14 930 000 | - | - | 14 930 000 | 750 004 | (14 179 996) | (94,98)% | (93,96)% |
| General Expenses | 32 649 000 | (2 719 000) | 29 930 000 | - | - | 29 930 000 | 19 672 718 | (10 257 282) | (34,27)% | (39,74)% |
| Inventory Written-off | - | - | - | - | - | - | 66 661 | 66 661 | 100,00% | 100,00% |
| Loss on Sale of Land | - | - | - | - | - | - | 69 756 | 69 756 | 100,00% | 100,00% |
| Total Expenditure | 186 009 000 | (2 314 000) | 183 695 000 | - | - | 183 695 000 | 267 088 313 | 83 393 313 | | |
| Surplus/(Deficit) | 36 743 000 | (26 268 000) | 10 475 000 | - | - | 10 475 000 | (70 534 329) | (81 009 329) | (773,36)% | (291,97)% |
| Surplus/(Deficit for the Year) | 36 743 000 | (26 268 000) | 10 475 000 | - | - | 10 475 000 | (70 534 329) | (81 009 329) | | |

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

Property Rates:

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.

Property Rates - Penalties imposed and collection charges:

For the 2013/2014 financial year, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Fines: For the 2013/2014 financial year, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Rental of Facilities and Equipment:

The municipality generated more revenue than budgeted for.

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 2011/2012 financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account during the preparation of the 2013/2014 budget as the 2012/2013 provision (and relating entries) were not calculated (and processed). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from prepaid electricity has been correctly classified.

Gains on Other Operations:

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

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget

Impairment Losses:

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

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:

The Municipality conducted a full land audit (please see the explanation included in the Inventory line item). During the year, a number of properties were transferred to buyers.

Inventory Written-off

The amount written-off is immaterial and therefore management did not budget for it.

2014

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|-------------------|-------------------|-----------------------------|---|--|
| | R | R | R | R | R | R | R | R | R | R |
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | | |
| Executive and Council | 221 000 | 277 000 | 498 000 | - | - | 498 000 | 585 487 | 87 487 | 17,57% | 164,93% |
| Finance and Administration | 1 959 000 | - | 1 959 000 | - | - | 1 959 000 | 199 452 | (1 759 548) | (89,82)% | (89,82)% |
| Planning and Development | 15 344 000 | (3 500 000) | 11 844 000 | - | - | 11 844 000 | 499 643 | (11 344 357) | (95,78)% | (96,74)% |
| Health | 21 000 | - | 21 000 | - | - | 21 000 | - | (21 000) | (100,00)% | (100,00)% |
| Community and Social Services | 728 000 | 16 000 | 744 000 | - | - | 744 000 | 62 903 | (681 097) | (91,55)% | (91,36)% |
| Housing | - | - | - | - | - | - | 713 769 | 713 769 | 100,00% | 100,00% |
| Public Safety | 510 000 | - | 510 000 | - | - | 510 000 | - | (510 000) | (100,00)% | (100,00)% |
| Sport and Recreation | 101 000 | - | 101 000 | - | - | 101 000 | - | (101 000) | (100,00)% | (100,00)% |
| Environmental Protection | - | - | - | - | - | - | - | - | - | - |
| Waste Management | 55 000 | 302 000 | 357 000 | - | - | 357 000 | - | (357 000) | (100,00)% | (100,00)% |
| Roads and Transport | 3 519 000 | (300 000) | 3 219 000 | - | - | 3 219 000 | 15 401 315 | 12 182 315 | 378,45% | 337,66% |
| Water | 21 076 000 | (20 000 000) | 1 076 000 | - | - | 1 076 000 | 1 681 260 | 605 260 | 56,25% | (92,02)% |
| Electricity | 505 000 | - | 505 000 | - | - | 505 000 | 2 313 622 | 1 808 622 | 358,14% | 358,14% |
| Total Capital Expenditure | 44 039 000 | (23 205 000) | 20 834 000 | - | - | 20 834 000 | 21 457 449 | 623 449 | | |

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

Overall, the fluctuations amounted to +/- 3%. Although the budgeted amounts made provision for costs to be incurred in more departments, these funds were used to, mainly, finance the roads and stormwater project currently in progress at

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|------------------|---------------------|-----------------------------|---|--|
| R | R | R | R | R | R | R | R | R | R | R |
| CASH FLOW | | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | | |
| Property Rates | 125 172 000 | 13 935 000 | 139 107 000 | - | - | 139 107 000 | 17 407 400 | (121 699 600) | (87,49)% | (86,09)% |
| Grants | 76 938 000 | (23 561 000) | 53 377 000 | - | - | 53 377 000 | 53 829 613 | 452 613 | 0,85% | (30,04)% |
| Service Charges | - | - | - | - | - | - | 86 505 562 | 86 505 562 | 100,00% | 100,00% |
| Interest Received | 793 000 | 76 000 | 869 000 | - | - | 869 000 | 1 030 475 | 161 475 | 18,58% | 29,95% |
| Other Receipts | 1 000 | 239 000 | 240 000 | - | - | 240 000 | (2 789 785) | (3 029 785) | (1262,41)% | (279078,47)% |
| Employee Related Costs | (128 441 000) | (19 960 000) | (148 401 000) | - | - | (148 401 000) | (56 840 637) | 91 560 363 | (61,70)% | (55,75)% |
| Remuneration of Councillors | - | - | - | - | - | - | (4 157 184) | (4 157 184) | (100,00)% | (100,00)% |
| Interest Paid | (933 000) | (97 000) | (1 030 000) | - | - | (1 030 000) | (1 607 928) | (577 928) | 56,11% | 72,34% |
| Suppliers Paid | - | - | - | - | - | - | (83 052 723) | (83 052 723) | (100,00)% | (100,00)% |
| Other Payments | (13 573 000) | (1 357 000) | (14 930 000) | - | - | (14 930 000) | 2 333 858 | 17 263 858 | (115,63)% | (117,19)% |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (20 806 000) | 68 000 | (20 738 000) | - | - | (20 738 000) | (21 458 762) | (720 762) | 3,48% | 3,14% |
| Purchase of Intangible Assets | - | - | - | - | - | - | (92 919) | (92 919) | (100,00)% | (100,00)% |
| Proceeds on Disposal of Property, Plant and Equipment | - | - | - | - | - | - | 519 161 | 519 161 | 100,00% | 100,00% |
| Profit on Sale of Land | - | - | - | - | - | - | 470 543 | 470 543 | 100,00% | 100,00% |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | | |
| New Loans raised | (2 538 000) | - | (2 538 000) | - | - | (2 538 000) | (2 503 720) | 34 280 | (1,35)% | (1,35)% |
| Loans repaid | 111 000 | - | 111 000 | - | - | 111 000 | - | (111 000) | (100,00)% | (100,00)% |
| Cash and Cash Equivalents at End of the Year | 36 724 000 | (30 657 000) | 6 067 000 | - | - | 6 067 000 | (10 407 047) | (16 474 047) | - | - |
| 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
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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

| Description | 2015 | 2014 |
|---|---------------------|---------------------|
| | R | R |
| Net Surplus/(Deficit) per the Statement of Financial Performance | (49 090 771) | (70 534 329) |
| Revenue from Non-exchange Transactions | | |
| Property Rates | 1 879 932 | 337 531 |
| Property Rates - Penalties imposed and collection charges | (170 342) | (149 924) |
| Fines | (16 386 886) | (12 986 513) |
| Licences and Permits | 617 070 | (74 582) |
| Government Grants and Subsidies Received | (1 902 255) | (5 476 606) |
| Revenue from Exchange Transactions | | |
| Service Charges | (1 376 808) | 78 184 |
| Rental of Facilities and Equipment | (586 905) | (218 144) |
| Interest Earned - External Investments | (10 399) | (237 475) |
| Interest Earned - Outstanding Debtors | 173 239 | 114 648 |
| Other Revenue | 11 879 962 | 16 320 098 |
| Gains on Other Operations | (4 551) | (7 108) |
| Gains on Disposal of Property, Plant and Equipment | 120 000 | (84 092) |
| Profit on Sale of Land | (978 624) | - |
| Expenditure | | |
| Employee Related Costs | 3 899 269 | (1 146 367) |
| Remuneration of Councillors | (134 541) | 2 184 |
| Collection Costs | 283 077 | - |
| Depreciation and Amortisation | 52 704 742 | 56 744 569 |
| Impairment Losses | 25 209 096 | 44 655 721 |
| Repairs and Maintenance | 2 864 814 | 3 401 873 |
| Finance Costs | (1 193 450) | 577 928 |
| Bulk Purchases | (480 345) | 1 530 580 |
| Contracted Services | (438 102) | 1 927 685 |
| Grants and Subsidies Paid | (13 443 534) | (14 179 996) |
| General Expenses | (13 581 915) | (10 257 282) |
| Inventory Written-off | - | 66 661 |
| Loss on Sale of Land | 744 226 | 69 756 |
| Net Surplus/Deficit per Approved Budget | 596 000 | 10 475 000 |

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014 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 in the following instances:

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

1.2 Critical Judgements, Estimations And Assumptions

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

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

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue

1.2.2 Financial assets and liabilities

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

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

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 5 to the AFS.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

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

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property, heritage assets and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used

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

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

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

1.2.6 Water inventory

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

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial

1.2.8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

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

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

1.2.9 Budget information

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

1.3 Presentation Currency

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

1.4 Going Concern Assumption

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

1.5 Offsetting

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

1.6 Standards, Amendments To Standards And Interpretations Issued But Not Yet Effective

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 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
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. 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 ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of 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:

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

2. NETT ASSETS

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

2.1.1 Capital replacement reserve (CRR)

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

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

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

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

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

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

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 are measured at cost, less accumulated depreciation and accumulated

Subsequent to initial recognition property, plant and equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

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

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

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

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

3.3 Depreciation

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

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.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.4 Incomplete Construction Work

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

3.5 Finance Leases

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

3.6 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 the Statement of Financial Performance when the item is derecognised.

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

4. HERITAGE ASSETS

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

4.1 Initial Recognition

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

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

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

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

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. INTANGIBLE ASSETS

5.1 Initial Recognition

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

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

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

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

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

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated

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

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives

| Intangible asset | Years |
|-------------------------|--------------|
| Software | 3 |

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable

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

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. INVESTMENT PROPERTY

6.1 Initial Recognition

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

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

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

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

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

6.2 Subsequent Measurement - Fair Value Model

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

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

7. IMPAIRMENT OF ASSETS

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

7.1 Impairment of Cash generating assets

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

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

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

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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7. IMPAIRMENT OF ASSETS (Continued)

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

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

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

7.2 Impairment of Non-Cash generating assets

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

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

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

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

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a

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 exists and the entity intends either to settle on a net basis, or to realise the asset and settle the liability

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8. FINANCIAL INSTRUMENTS (Continued)

8.1 Financial Assets - Classification

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

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

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

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

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at

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.

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.

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8. FINANCIAL INSTRUMENTS (Continued)

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

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

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

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial

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

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

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

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

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to

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

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8. FINANCIAL INSTRUMENTS (Continued)

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.

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

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, [inventories distributed at no charge or for a nominal charge](#) and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the [\(FIFO / weighted average\)](#) cost of commodities.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, 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

Unsold properties

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

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9. INVENTORIES (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

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

10.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

11.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

11.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

11.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11.2.6 Sale of Goods (including Houses)

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

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

11.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11.2.8 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

11.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to

11.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

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

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

12. PROVISIONS (Continued)

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

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

13.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

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

13.3 Post-Retirement Health Care Benefits:

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

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

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

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

13.4 Long-Service Allowance

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. EMPLOYEE BENEFITS (Continued)

13.5 Defined Benefit Pension Plans

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

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

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

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

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed.

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality As Lessor

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

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

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

14. LEASES (Continued)

14.3 Determining Whether An Arrangement Contains A Lease

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

15. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity

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 Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

19. IRREGULAR EXPENDITURE

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

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed

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.

24. COMPARATIVE INFORMATION

24.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|---|-------------------|-------------------|
| 1. GENERAL INFORMATION | | |
| <p>Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p> | | |
| 2. INVENTORIES | | |
| Consumable Stores | 390 655 | 417 715 |
| Property Stock | 62 551 954 | 62 625 954 |
| Water - at cost | 19 905 | 15 692 |
| Total Inventories | 62 962 514 | 63 059 361 |

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 R0.8361 per kilolitre (2014: R0.7632 per kilolitre).

Inventory to the value of R0 (2014: R69 007) was written off during the year. The cost of Inventories recognised as an expense during the period was R308 212.

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balances R | Provision for Impairment R | Net Balances R |
|---|------------------------|----------------------------------|----------------------|
| As at 30 June 2015 | | | |
| Service Debtors: | 90 361 203 | (58 611 672) | 31 749 531 |
| Electricity | 19 115 439 | (9 309 513) | 9 805 926 |
| Refuse | 11 144 533 | (7 618 761) | 3 525 772 |
| Sewerage | 21 898 513 | (15 301 184) | 6 597 328 |
| Water | 38 202 719 | (26 382 214) | 11 820 505 |
| Other Receivables | 3 407 997 | (3 239 359) | 168 638 |
| Total Receivables from Exchange Transactions | 93 769 200 | (61 851 031) | 31 918 169 |
| | Gross Balances R | Provision for Impairment R | Net Balances R |
| As at 30 June 2014 | | | |
| Service Debtors: | 72 971 804 | (43 377 241) | 29 594 563 |
| Electricity | 17 064 209 | (6 845 832) | 10 218 377 |
| Refuse | 8 919 664 | (5 850 844) | 3 068 820 |
| Sewerage | 17 452 740 | (11 399 087) | 6 053 654 |
| Water | 29 535 190 | (19 281 478) | 10 253 713 |
| Other Receivables | 2 835 398 | (1 943 540) | 891 858 |
| Total Receivables from Exchange Transactions | 75 807 201 | (45 320 781) | 30 486 421 |

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the Municipality is owed R3 916 652 (30 June 2014: R4 386 769) by National and Provincial Government.

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

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

| | Current | Past Due | | | Total |
|--------------------------------|------------------|----------------|----------------|------------------|-------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Electricity: | | | | | |
| Gross Balances | 5 014 131 | 731 327 | 495 286 | 12 874 696 | 19 115 439 |
| Less: Provision for Impairment | (521 681) | (306 757) | (232 511) | (8 248 563) | (9 309 513) |
| Net Balances | 4 492 449 | 424 569 | 262 775 | 4 626 133 | 9 805 926 |
| Refuse: | | | | | |
| Gross Balances | 462 260 | 339 047 | 262 777 | 10 080 448 | 11 144 533 |
| Less: Provision for Impairment | (206 078) | (214 075) | (177 331) | (7 021 277) | (7 618 761) |
| Net Balances | 256 182 | 124 973 | 85 446 | 3 059 171 | 3 525 772 |
| Sewerage: | | | | | |
| Gross Balances | 850 334 | 514 011 | 478 626 | 20 055 542 | 21 898 513 |
| Less: Provision for Impairment | (369 954) | (345 574) | (337 544) | (14 248 113) | (15 301 184) |
| Net Balances | 480 380 | 168 437 | 141 083 | 5 807 430 | 6 597 328 |
| Water: | | | | | |
| Gross Balances | 2 664 198 | 1 007 316 | 1 014 235 | 33 516 969 | 38 202 719 |
| Less: Provision for Impairment | (759 376) | (690 727) | (682 571) | (24 249 539) | (26 382 214) |
| Net Balances | 1 904 821 | 316 589 | 331 664 | 9 267 430 | 11 820 505 |
| Other Receivables: | | | | | |
| Gross Balances | 106 843 | 60 068 | 54 168 | 3 186 919 | 3 407 997 |
| Less: Provision for Impairment | (55 988) | (52 247) | (51 231) | (3 079 893) | (3 239 359) |
| Net Balances | 50 854 | 7 821 | 2 937 | 107 026 | 168 638 |

As at 30 June Receivables of R24 733 483 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|------------------|----------------|-------------------|-------------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Receivables: | | | | |
| Gross Balances | 2 651 768 | 2 305 092 | 79 714 575 | 84 671 435 |
| Less: Provision for Impairment | (1 609 380) | (1 481 187) | (56 847 385) | (59 937 952) |
| Net Balances | 1 042 389 | 823 905 | 22 867 190 | 24 733 483 |

As at 30 June 2014

| | Current | Past Due | | | Total |
|--------------------------------|------------------|----------------|----------------|------------------|-------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Electricity: | | | | | |
| Gross Balances | 4 756 157 | 628 731 | 516 369 | 11 162 952 | 17 064 209 |
| Less: Provision for Impairment | (317 488) | (218 614) | (208 573) | (6 101 157) | (6 845 832) |
| Net Balances | 4 438 669 | 410 117 | 307 795 | 5 061 795 | 10 218 377 |
| Refuse: | | | | | |
| Gross Balances | 578 600 | 292 155 | 273 455 | 7 775 455 | 8 919 664 |
| Less: Provision for Impairment | (199 875) | (158 243) | (158 336) | (5 334 389) | (5 850 844) |
| Net Balances | 378 724 | 133 911 | 115 119 | 2 441 066 | 3 068 820 |
| Sewerage: | | | | | |
| Gross Balances | 845 810 | 499 364 | 478 230 | 15 629 336 | 17 452 740 |
| Less: Provision for Impairment | (290 942) | (284 326) | (285 913) | (10 537 906) | (11 399 087) |
| Net Balances | 554 869 | 215 038 | 192 317 | 5 091 430 | 6 053 654 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Water:

| | | | | | |
|--------------------------------|------------------|----------------|----------------|------------------|-------------------|
| Gross Balances | 2 499 297 | 1 071 971 | 1 009 232 | 24 954 690 | 29 535 190 |
| Less: Provision for Impairment | (709 380) | (675 492) | (721 512) | (17 175 093) | (19 281 478) |
| Net Balances | 1 789 917 | 396 479 | 287 720 | 7 779 597 | 10 253 713 |

Other Receivables:

| | | | | | |
|--------------------------------|---------------|---------------|---------------|----------------|----------------|
| Gross Balances | 105 795 | 60 464 | 56 360 | 2 612 779 | 2 835 397 |
| Less: Provision for Impairment | (40 203) | (38 317) | (38 288) | (1 826 731) | (1 943 540) |
| Net Balances | 65 592 | 22 147 | 18 072 | 786 047 | 891 858 |

As at 30 June Receivables of R23 258 650 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 | 2 552 684 | 2 333 646 | 62 135 212 | 67 021 542 |
| Less: Provision for Impairment | (1 374 993) | (1 412 623) | (40 975 276) | (43 762 892) |
| Net Balances | 1 177 691 | 921 023 | 21 159 936 | 23 258 650 |

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

| | Household R | Industrial/ Commercial R | National and Provincial Government R | Other R |
|---|-------------------|--------------------------------|---|------------|
| As at 30 June 2015 | | | | |
| <u>Current:</u> | | | | |
| 0 - 30 days | 6 355 426 | 1 422 961 | 1 319 379 | - |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | 2 255 330 | 230 317 | 166 122 | - |
| 61 - 90 Days | 2 050 152 | 120 196 | 134 744 | - |
| + 90 Days | 75 445 055 | 1 973 112 | 2 296 408 | - |
| Sub-total | 86 105 962 | 3 746 587 | 3 916 652 | - |
| Less: Provision for Impairment | (60 066 504) | (1 784 526) | - | - |
| Total Trade Receivables by Customer Classification | 26 039 457 | 1 962 060 | 3 916 652 | - |

| | Household R | Industrial/ Commercial R | National and Provincial Government R | Other R |
|---|-------------------|--------------------------------|---|------------|
| As at 30 June 2014 | | | | |
| <u>Current:</u> | | | | |
| 0 - 30 days | 6 929 183 | 1 209 461 | 647 015 | - |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | 2 041 406 | 202 492 | 308 787 | - |
| 61 - 90 Days | 2 003 191 | 131 829 | 198 625 | - |
| + 90 Days | 56 933 287 | 1 969 582 | 3 232 342 | - |
| Sub-total | 67 907 067 | 3 513 365 | 4 386 769 | - |
| Less: Provision for Impairment | (43 910 382) | (1 410 398) | - | - |
| Total Trade Receivables by Customer Classification | 23 996 685 | 2 102 967 | 4 386 769 | - |

3.3 Reconciliation of the Provision for Impairment

| | | |
|-------------------------------|---------------------|---------------------|
| Balance at beginning of year | (45 320 780) | (34 004 000) |
| Impairment Losses recognised | (16 530 251) | (30 794 688) |
| Impairment Losses reversed | - | 19 477 908 |
| Balance at end of year | (61 851 031) | (45 320 780) |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|---|-------------------|-------------------|
| 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued) | | |
| <p>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.</p> <p>Included in the Municipality's Receivables balance are debtors with a carrying amount of R24 733 483 (2014: R23 258 650) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 119 days (2014: 119 days).</p> <p>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.</p> | | |
| 3.4 Ageing of impaired Receivables from Exchange Transactions | | |
| <u>Current:</u> | | |
| 0 - 30 Days | 1 913 079 | 1 557 888 |
| <u>Past Due:</u> | | |
| 31 - 60 Days | 1 609 380 | 1 374 993 |
| 61 - 90 Days | 1 481 187 | 1 412 623 |
| + 90 Days | 56 847 385 | 40 975 276 |
| Total | 61 851 031 | 45 320 781 |

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | Gross Balances R | Provision for Impairment R | Net Balances R |
|---|------------------------|----------------------------------|----------------------|
| As at 30 June 2015 | | | |
| Assessment Rates Debtors | 16 914 817 | (10 499 979) | 6 414 837 |
| Payments made in Advance | - | - | - |
| Sundry Deposits | 985 250 | - | 985 250 |
| Sundry Debtors | 59 805 510 | (48 968 660) | 10 836 850 |
| Total Receivables from Non-exchange Transactions | 77 705 577 | (59 468 639) | 18 236 937 |
| | Gross Balances R | Provision for Impairment R | Net Balances R |
| As at 30 June 2014 | | | |
| Assessment Rates Debtors | 13 518 534 | (7 067 368) | 6 451 166 |
| Payments made in Advance | 74 698 | - | 74 698 |
| Sundry Deposits | 1 014 610 | - | 1 014 610 |
| Sundry Debtors | 40 389 292 | (31 839 398) | 8 549 894 |
| Total Receivables from Non-exchange Transactions | 54 997 134 | (38 906 766) | 16 090 368 |

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2014: R900 000) in respect of a deposit paid to Eskom.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

| | Current 0 - 30 days | Past Due | | | Total |
|----------------------------------|------------------------|----------------|------------------|------------------|-------------------|
| | | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Assessment Rates: | | | | | |
| Gross Balances | 856 868 | 378 255 | 315 213 | 15 364 480 | 16 914 817 |
| Less: Provision for Impairment | (96 383) | (152 775) | (139 786) | (10 111 035) | (10 499 979) |
| Net Balances | 760 486 | 225 480 | 175 428 | 5 253 445 | 6 414 837 |
| Payments made in Advance: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |
| Sundry Deposits: | | | | | |
| Gross Balances | - | - | - | 985 250 | 985 250 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | 985 250 | 985 250 |
| Sundry Debtors: | | | | | |
| Gross Balances | 1 396 255 | 810 490 | 2 416 450 | 55 182 316 | 59 805 510 |
| Less: Provision for Impairment | - | - | - | (48 968 660) | (48 968 660) |
| Net Balances | 1 396 255 | 810 490 | 2 416 450 | 6 213 655 | 10 836 850 |

As at 30 June Receivables of R19 789 147 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|------------------|------------------|-------------------|-------------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Receivables: | | | | |
| Gross Balances | 1 188 745 | 2 731 663 | 71 532 046 | 75 452 454 |
| Less: Provision for Impairment | (152 775) | (139 786) | (59 079 696) | (59 372 257) |
| Net Balances | 1 035 970 | 2 591 878 | 12 452 350 | 16 080 197 |

As at 30 June 2014

| | Current 0 - 30 days | Past Due | | | Total |
|----------------------------------|------------------------|----------------|----------------|------------------|------------------|
| | | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Assessment Rates: | | | | | |
| Gross Balances | 928 461 | 341 548 | 297 148 | 11 951 377 | 13 518 534 |
| Less: Provision for Impairment | (129 195) | (125 964) | (116 372) | (6 695 837) | (7 067 368) |
| Net Balances | 799 266 | 215 584 | 180 776 | 5 255 540 | 6 451 166 |
| Payments made in Advance: | | | | | |
| Gross Balances | 74 698 | - | - | - | 74 698 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | 74 698 | - | - | - | 74 698 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2015
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

Sundry Deposits:

| | | | | | |
|--------------------------------|----------------|----------|----------|----------------|------------------|
| Gross Balances | 900 000 | - | - | 114 610 | 1 014 610 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | 900 000 | - | - | 114 610 | 1 014 610 |

Sundry Debtors:

| | | | | | |
|--------------------------------|----------------|----------|----------|------------------|------------------|
| Gross Balances | 979 280 | - | - | 39 410 012 | 40 389 292 |
| Less: Provision for Impairment | - | - | - | (31 839 398) | (31 839 398) |
| Net Balances | 979 280 | - | - | 7 570 615 | 8 549 894 |

As at 30 June Receivables of R11 545 689 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 | 341 548 | 297 148 | 51 476 000 | 52 114 696 |
| Less: Provision for Impairment | (125 964) | (116 372) | (38 535 235) | (38 777 571) |
| Net Balances | 215 584 | 180 776 | 12 940 765 | 13 337 124 |

4.2 Summary of Assessment Rates Debtors by Customer Classification

| | Household R | Industrial/ Commercial R | National and Provincial Government R | Other R |
|---|------------------|--------------------------------|---|------------|
| As at 30 June 2015 | | | | |
| <u>Current:</u> | | | | |
| 0 - 30 days | 680 140 | 72 963 | 103 765 | - |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | 257 551 | 14 397 | 106 307 | - |
| 61 - 90 Days | 207 904 | 11 148 | 96 161 | - |
| + 90 Days | 13 426 101 | 807 033 | 1 131 346 | - |
| Sub-total | 14 571 696 | 905 541 | 1 437 579 | - |
| Less: Provision for Impairment | (10 024 862) | (475 117) | - | - |
| Total Rates Debtors by Customer Classification | 4 546 834 | 430 424 | 1 437 579 | - |

| | Household R | Industrial/ Commercial R | National and Provincial Government R | Other R |
|---|------------------|--------------------------------|---|------------|
| As at 30 June 2014 | | | | |
| <u>Current:</u> | | | | |
| 0 - 30 days | 756 558 | 53 540 | 118 363 | - |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | 228 778 | 10 419 | 102 351 | - |
| 61 - 90 Days | 184 601 | 10 419 | 102 128 | - |
| + 90 Days | 10 602 361 | 592 557 | 756 459 | - |
| Sub-total | 11 772 297 | 666 936 | 1 079 301 | - |
| Less: Provision for Impairment | (6 696 334) | (371 034) | - | - |
| Total Rates Debtors by Customer Classification | 5 075 963 | 295 902 | 1 079 301 | - |

4.3 Reconciliation of Provision for Impairment

| | | |
|--------------------------------------|---------------------|---------------------|
| Balance at beginning of year | (38 906 766) | (30 505 163) |
| Impairment Losses recognised | (20 561 874) | (8 401 603) |
| Impairment Losses reversed | - | - |
| Amounts written off as uncollectable | - | - |
| Amounts recovered | - | - |
| Balance at end of year | (59 468 639) | (38 906 766) |

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|---|---------------------|---------------------|
| 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued) | | |
| <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit</p> | | |
| 5. CASH AND CASH EQUIVALENTS | | |
| Current Investments | 12 186 030 | 11 294 795 |
| Bank Accounts | 95 714 | 915 409 |
| Bank Overdraft | (13 564 441) | (11 977 403) |
| Total Bank, Cash and Cash Equivalents | (1 282 697) | 232 800 |
| <p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p> | | |
| 5.1 Current Investment Deposits | | |
| Term Deposits | 11 284 644 | 10 522 283 |
| Call Deposits | 901 386 | 772 511 |
| Total Current Investment Deposits | 12 186 030 | 11 294 795 |
| <p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p> | | |
| Deposits attributable to Unspent Conditional Grants | - | - |
| Total Deposits attributable to Commitments of the Municipality | - | - |
| <p>Deposits of R3 670 679 (2014: R7 095 267) are ring-fenced and attributable to Unspent Conditional Grants.</p> | | |
| 5.2 Bank Accounts | | |
| Cash in Bank | 92 914 | 914 009 |
| Bank Overdraft | (13 564 441) | (11 977 403) |
| Total Bank Accounts | (13 471 527) | (11 063 395) |
| <p>The Municipality has the following bank accounts:</p> | | |
| Primary Bank Account | | |
| <i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081</i> | | |
| Cash book balance at beginning of year | (11 977 403) | (6 498 375) |
| Cash book balance at end of year | (13 564 441) | (11 977 403) |
| Bank statement balance at beginning of year | 4 984 393 | 3 897 789 |
| Bank statement balance at end of year | 1 591 721 | 4 984 393 |
| Current Accounts | | |
| <i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i> | | |
| Cash book balance at beginning of year | 44 415 | 41 694 |
| Cash book balance at end of year | 20 | 44 415 |
| Bank statement balance at beginning of year | 44 415 | 41 494 |
| Bank statement balance at end of year | 20 | 44 415 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|--|-------------------|-------------------|
| 5. CASH AND CASH EQUIVALENTS (Continued) | | |
| <i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i> | | |
| Cash book balance at beginning of year | 265 684 | 127 050 |
| Cash book balance at end of year | <u>19 502</u> | <u>265 684</u> |
| Bank statement balance at beginning of year | 265 684 | 127 050 |
| Bank statement balance at end of year | <u>19 502</u> | <u>265 684</u> |
| <i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i> | | |
| Cash book balance at beginning of year | 603 910 | - |
| Cash book balance at end of year | <u>73 392</u> | <u>603 910</u> |
| Bank statement balance at beginning of year | 603 910 | - |
| Bank statement balance at end of year | <u>39 407</u> | <u>603 910</u> |
| Term Deposits | | |
| <i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i> | | |
| Cash book balance at beginning of year | 10 507 963 | 9 925 304 |
| Cash book balance at end of year | <u>11 269 790</u> | <u>10 507 963</u> |
| Bank statement balance at beginning of year | 10 507 963 | 9 925 304 |
| Bank statement balance at end of year | <u>11 269 790</u> | <u>10 507 963</u> |
| <i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i> | | |
| Cash book balance at beginning of year | 14 321 | 2 602 |
| Cash book balance at end of year | <u>14 854</u> | <u>14 321</u> |
| Bank statement balance at beginning of year | 14 321 | 2 602 |
| Bank statement balance at end of year | <u>14 854</u> | <u>14 321</u> |
| Call Deposits | | |
| <i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212</i> | | |
| Cash book balance at beginning of year | 0 | 1 063 |
| Cash book balance at end of year | <u>-</u> | <u>0</u> |
| Bank statement balance at beginning of year | - | 1 063 |
| Bank statement balance at end of year | <u>-</u> | <u>-</u> |
| <i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440</i> | | |
| Cash book balance at beginning of year | 0 | 10 444 |
| Cash book balance at end of year | <u>-</u> | <u>0</u> |
| Bank statement balance at beginning of year | - | 10 444 |
| Bank statement balance at end of year | <u>-</u> | <u>-</u> |
| <i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001</i> | | |
| Cash book balance at beginning of year | 6 069 | 5 943 |
| Cash book balance at end of year | <u>(0)</u> | <u>6 069</u> |
| Bank statement balance at beginning of year | 6 069 | 5 943 |
| Bank statement balance at end of year | <u>(0)</u> | <u>6 069</u> |
| <i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i> | | |
| Cash book balance at beginning of year | 2 582 | 2 523 |
| Cash book balance at end of year | <u>2 474</u> | <u>2 582</u> |
| Bank statement balance at beginning of year | 2 582 | 2 523 |
| Bank statement balance at end of year | <u>2 474</u> | <u>2 582</u> |
| <i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i> | | |
| Cash book balance at beginning of year | 730 274 | 6 521 164 |
| Cash book balance at end of year | <u>892 471</u> | <u>730 274</u> |
| Bank statement balance at beginning of year | 730 274 | 6 521 164 |
| Bank statement balance at end of year | <u>892 471</u> | <u>730 274</u> |
| <i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i> | | |
| Cash book balance at beginning of year | 6 282 | 557 303 |
| Cash book balance at end of year | <u>6 392</u> | <u>6 282</u> |
| Bank statement balance at beginning of year | 6 282 | 557 303 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|--|--------------|--------------|
| Bank statement balance at end of year | 6 392 | 6 282 |
| 5. CASH AND CASH EQUIVALENTS (Continued) | | |
| <i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i> | | |
| Cash book balance at beginning of year | 27 304 | - |
| Cash book balance at end of year | 50 | 27 304 |
| Bank statement balance at beginning of year | 27 304 | - |
| Bank statement balance at end of year | 50 | 27 304 |
| 5.3 Cash and Cash Equivalents | | |
| Cash Floats and Advances | 2 800 | 1 400 |
| Total Cash on hand in Cash Floats, Advances and Equivalents | 2 800 | 1 400 |
| 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 | | |
| The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values. | | |
| 6. OPERATING LEASE RECEIVABLES | | |
| Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised: | | |
| Balance at beginning of year | 5 897 | 5 916 |
| Operating Lease Revenue recorded | (752) | (20) |
| Operating Lease Revenue effected | - | - |
| Total Operating Lease Receivables | 5 144 | 5 897 |
| Less: Amounts due for settlement within 12 months (Current Portion) | (1 822) | (752) |
| Total Operating Lease Receivables | 3 323 | 5 144 |
| 6.1 Leasing Arrangements | | |
| The Municipality as Lessor: | | |
| Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2014: 2 to 5) years, with an option to extend. | | |
| All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. | | |
| 6.2 Amounts receivable under Operating Leases | | |
| At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows: | | |
| Up to 1 year | 1 822 | 752 |
| 2 to 5 years | 3 323 | 5 144 |
| More than 5 years | - | - |
| Total Operating Lease Arrangements | 5 144 | 5 897 |
| The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R752 (2014: decrease of R20) in current year income. | | |
| The following restrictions have been imposed by the Municipality in terms of the lease agreements: | | |
| (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let. | | |
| (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let. | | |
| (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement. | | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

| Description | Land and Buildings | Infrastructure Assets | Computer Equipment | Furniture and Fittings | Machinery Equipment | Transport Assets | Total |
|--|--------------------|-----------------------|--------------------|------------------------|---------------------|------------------|--------------------|
| | R | R | R | R | R | R | R |
| Carrying values at 1 July 2014 | 149 788 190 | 753 725 462 | 899 347 | 4 144 688 | 4 868 666 | 6 198 754 | 919 625 107 |
| Cost | 291 332 099 | 1 850 649 467 | 2 332 698 | 8 374 890 | 9 852 292 | 9 604 200 | 2 172 145 646 |
| - Completed Assets | 291 097 099 | 1 835 376 148 | 2 332 698 | 8 374 890 | 9 852 292 | 9 604 200 | 2 156 637 328 |
| - Under Construction | 235 000 | 15 273 319 | - | - | - | - | 15 508 319 |
| Accumulated Impairment Losses | - | - | (12 261) | (30 747) | (15 456) | (192 317) | (250 780) |
| Accumulated Depreciation | (141 543 909) | (1 096 924 005) | (1 421 090) | (4 199 455) | (4 968 170) | (3 213 129) | (1 252 269 758) |
| Acquisitions | - | 13 832 615 | 122 214 | 99 430 | 118 179 | - | 14 172 439 |
| Capital under Construction - Additions | - | - | - | - | - | - | - |
| Depreciation | (11 061 874) | (47 916 854) | (273 227) | (669 851) | (734 351) | (559 307) | (61 215 465) |
| Carrying value of Disposals | - | - | (63 316) | (224 238) | (456 672) | - | (744 226) |
| - Cost | - | - | (301 273) | (517 007) | (1 376 385) | - | (2 194 666) |
| - Accumulated Impairment Losses | - | - | 872 | 2 317 | - | - | 3 189 |
| - Accumulated Depreciation | - | - | 237 085 | 290 452 | 919 713 | - | 1 447 251 |
| Impairment Losses | - | - | (2 425) | (8 003) | (2 130) | (72 260) | (84 818) |
| Carrying values at 30 June 2015 | 138 726 316 | 719 641 224 | 682 593 | 3 342 026 | 3 793 693 | 5 567 186 | 871 753 038 |
| Cost | 291 332 099 | 1 864 482 082 | 2 153 639 | 7 957 313 | 8 594 086 | 9 604 200 | 2 184 123 419 |
| - Completed Assets | 291 097 099 | 1 864 482 082 | 2 153 639 | 7 957 313 | 8 594 086 | 9 604 200 | 2 183 888 419 |
| - Under Construction | 235 000 | - | - | - | - | - | 235 000 |
| Accumulated Impairment Losses | - | - | (13 814) | (36 433) | (17 585) | (264 577) | (332 409) |
| Accumulated Depreciation: | (152 605 783) | (1 144 840 858) | (1 457 232) | (4 578 854) | (4 782 808) | (3 772 437) | (1 312 037 972) |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014

Reconciliation of Carrying Value

| Description | Land and Buildings | Infrastructure Assets | Computer Equipment | Furniture and Fittings | Machinery Equipment | Transport Assets | Total |
|--|--------------------|-----------------------|--------------------|------------------------|---------------------|------------------|--------------------|
| | R | R | R | R | R | R | R |
| Carrying values at 1 July 2013 | 160 801 208 | 785 305 837 | 825 859 | 4 939 088 | 5 521 671 | 6 075 327 | 963 468 991 |
| Cost | 290 831 143 | 1 831 381 266 | 2 348 070 | 8 602 898 | 10 000 404 | 8 804 781 | 2 151 968 562 |
| - Completed Assets | 289 622 738 | 1 797 707 921 | 2 348 070 | 8 602 898 | 10 000 404 | 8 804 781 | 2 117 086 812 |
| - Under Construction | 1 208 405 | 33 673 346 | - | - | - | - | 34 881 751 |
| Accumulated Impairment Losses | - | - | (1 203) | (20 037) | (7 296) | (174 082) | (202 616) |
| Accumulated Depreciation | (130 029 935) | (1 046 075 429) | (1 521 009) | (3 643 773) | (4 471 437) | (2 555 372) | (1 188 296 955) |
| Acquisitions | 265 956 | 3 994 882 | 381 405 | 94 748 | 254 769 | 958 684 | 5 950 444 |
| Capital under Construction - Additions | 235 000 | 15 273 319 | - | - | - | - | 15 508 319 |
| Depreciation | (11 513 974) | (50 848 575) | (229 835) | (820 859) | (823 108) | (730 042) | (64 966 392) |
| Carrying value of Disposals | - | - | (66 854) | (56 874) | (72 628) | (86 981) | (283 337) |
| - Cost | - | - | (396 777) | (322 755) | (402 881) | (159 265) | (1 281 678) |
| - Accumulated Impairment Losses | - | - | 170 | 705 | 3 878 | - | 4 753 |
| - Accumulated Depreciation | - | - | 329 753 | 265 177 | 326 375 | 72 284 | 993 589 |
| Impairment Losses | - | - | (11 228) | (11 415) | (12 038) | (18 235) | (52 917) |
| Carrying values at 30 June 2014 | 149 788 190 | 753 725 462 | 899 347 | 4 144 688 | 4 868 666 | 6 198 754 | 919 625 107 |
| Cost | 291 332 099 | 1 850 649 467 | 2 332 698 | 8 374 890 | 9 852 292 | 9 604 200 | 2 172 145 646 |
| - Completed Assets | 291 097 099 | 1 835 376 148 | 2 332 698 | 8 374 890 | 9 852 292 | 9 604 200 | 2 156 637 328 |
| - Under Construction | 235 000 | 15 273 319 | - | - | - | - | 15 508 319 |
| Accumulated Impairment Losses | - | - | (12 261) | (30 747) | (15 456) | (192 317) | (250 780) |
| Accumulated Depreciation: | (141 543 909) | (1 096 924 005) | (1 421 090) | (4 199 455) | (4 968 170) | (3 213 129) | (1 252 269 758) |

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial

7.3 Assets pledged as security

The Municipality did not pledge any of its assets as security.

7.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R84 818 (2014: R52 915) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

| | | |
|--|--------------------|----------|
| Land and Buildings | (22 862,22) | - |
| Infrastructure Assets | (5 243 121,16) | - |
| Other Assets | (668 804,90) | - |
| Total Change in Estimate for Useful Life of Property, Plant and Equipment | (5 934 788) | - |

The change in estimates will result in a decrease of R5 934 788 in the depreciation expense for the Municipality over the next three financial years.

7.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

8. INTANGIBLE ASSETS

| | | |
|---------------------------------------|----------------|----------------|
| At Cost less Accumulated Amortisation | 235 393 | 383 791 |
|---------------------------------------|----------------|----------------|

The movement in Intangible Assets is reconciled as follows:

| | | |
|-----------------------------------|----------------|----------------|
| Carrying values at 1 July | 383 791 | 538 049 |
| Cost | 1 977 579 | 1 884 661 |
| Accumulated Amortisation | (1 593 788) | (1 346 611) |
| Acquisitions | 21 879 | 92 919 |
| Amortisation | (170 277) | (247 177) |
| Carrying values at 30 June | 235 393 | 383 791 |
| Cost | 1 999 458 | 1 977 579 |
| Accumulated Amortisation | (1 764 066) | (1 593 788) |

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------------------|-------------------------|
| 8. INTANGIBLE ASSETS (Continued) | | |
| All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality. | | |
| No restrictions apply to any of the Intangible Assets of the Municipality. | | |
| Refer to Appendix "B" for more detail on Intangible Assets. | | |
| 8.1 Significant Intangible Assets | | |
| The Municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R140 256 (2014: R244 149). | | |
| 8.2 Intangible Assets with Indefinite Useful Lives | | |
| The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. | | |
| The useful lives of the Intangible Assets remain unchanged from the previous year. | | |
| 8.3 Impairment of Intangible Assets | | |
| No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date. | | |
| 9. INVESTMENT PROPERTY | | |
| At Fair Value | <u>5 004 000</u> | <u>5 004 000</u> |
| The movement in Investment Property is reconciled as follows: | | |
| Carrying values at 1 July | 5 004 000 | 5 004 000 |
| Fair Value | 5 004 000 | 5 004 000 |
| Accumulated Impairment Losses | - | - |
| Acquisitions during the Year | - | - |
| Net Gains / (Losses) from Fair Value Adjustments | - | - |
| Impairment Losses during the Year | - | - |
| Carrying values at 30 June | 5 004 000 | 5 004 000 |
| Fair Value | 5 004 000 | 5 004 000 |
| Accumulated Impairment | - | - |
| Estimated Fair Value of Investment Property at 30 June | <u>5 004 000</u> | <u>5 004 000</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. | | |
| 9.1 Investment Property carried at Fair Value | | |
| The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties. | | |
| The following assumptions were used: | | |
| Discount Rate | 7,80% | 6,74% |
| Other | | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-----------|-----------|
| 9. INVESTMENT PROPERTY (Continued) | | |

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

10. HERITAGE ASSETS

| | | |
|--|------------------|------------------|
| At Cost less Accumulated Impairment Losses | <u>6 959 273</u> | <u>6 959 273</u> |
|--|------------------|------------------|

The movement in Heritage Assets is reconciled as follows:

| | Historical Sites | Cultural Buildings | Historical Assets | Total |
|--|---------------------|-----------------------|----------------------|------------------|
| Carrying values at 1 July 2014 | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Cost | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Accumulated Impairment | - | - | - | - |
| Acquisitions | - | - | - | - |
| Reversal of Impairment Losses | - | - | - | - |
| Impairment Losses Recognised | - | - | - | - |
| Carrying values at 30 June 2015 | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Cost | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Accumulated Impairment Losses | - | - | - | - |
| | Historical Sites | Cultural Buildings | Historical Assets | Total |
| Carrying values at 1 July 2013 | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Cost | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Accumulated Impairment | - | - | - | - |
| Acquisitions | - | - | - | - |
| Reversal of Impairment Losses | - | - | - | - |
| Impairment Losses Recognised | - | - | - | - |
| Carrying values at 30 June 2014 | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Cost | 294 501 | 5 340 072 | 1 324 700 | 6 959 273 |
| Accumulated Impairment Losses | - | - | - | - |

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 has identified all Heritage Assets and have it valued in terms of GRAP.

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

11. NON-CURRENT INVESTMENTS

| | | |
|---|---------------|---------------|
| Listed | | |
| Listed Shares | <u>25 639</u> | <u>21 088</u> |
| Total Investments | | |
| All Investments | 25 639 | 21 088 |
| Less: Short-term Portion transferred to Current Investments | - | - |
| Total Non-current Investments | <u>25 639</u> | <u>21 088</u> |
| Market valuation of Listed Investments | | |
| Listed Shares | <u>25 639</u> | <u>21 088</u> |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

11. NON-CURRENT INVESTMENTS (Continued)

Listed Shares are investments in shares of public companies with no specific maturity dates or interest

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

12. LONG-TERM RECEIVABLES

| | Gross Balances R | Provision for Impairment R | Net Balances R |
|--|------------------------|----------------------------------|----------------------|
| As at 30 June 2015 | | | |
| Other Loans | 1 264 | - | 1 264 |
| | <u>1 264</u> | <u>-</u> | <u>1 264</u> |
| Less: Current Portion transferred to Current Receivables: | | | - |
| Other Loans | | | <u>-</u> |
| Total Long-term Receivables | | | <u><u>1 264</u></u> |
| | Gross Balances R | Provision for Impairment R | Net Balances R |
| As at 30 June 2014 | | | |
| Other Loans | 1 164 | - | 1 164 |
| | <u>1 164</u> | <u>-</u> | <u>1 164</u> |
| Less: Current Portion transferred to Current Receivables:- | | | - |
| Other Loans | | | <u>-</u> |
| Total Long-term Receivables | | | <u><u>1 164</u></u> |

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

13. CONSUMER DEPOSITS

| | | |
|--------------------------------|-------------------------|-------------------------|
| Electricity and Water | 2 111 697 | 1 948 529 |
| Total Consumer Deposits | <u><u>2 111 697</u></u> | <u><u>1 948 529</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 approximates their fair values.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------------------|-------------------------|
| 14. PROVISIONS | | |
| Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20) | 1 051 176 | 1 000 584 |
| Current Portion of Long-term Service Liability (See Note 20) | 295 008 | 412 920 |
| Total Provisions | <u>1 346 184</u> | <u>1 413 504</u> |

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

| | Long-term Service R | Post-retirement R |
|-------------------------------|---------------------------|-------------------------|
| 2015 | | |
| Balance at beginning of year | 412 920 | 1 000 584 |
| Contributions to provision | - | 50 592 |
| Expenditure incurred | (117 912) | - |
| Balance at end of year | <u>295 008</u> | <u>1 051 176</u> |
| | Long-term Service R | Post-retirement R |
| 2014 | | |
| Balance at beginning of year | 419 799 | 882 492 |
| Contributions to provision | - | 118 092 |
| Expenditure incurred | (6 879) | - |
| Balance at end of year | <u>412 920</u> | <u>1 000 584</u> |

15. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|------------------------------|--------------------------|--------------------------|
| Trade Creditors | 1 965 844 | 1 015 073 |
| Payments Received in Advance | 1 449 985 | 1 852 624 |
| Retentions | 449 602 | 1 286 997 |
| Staff Bonuses | 2 056 538 | 1 873 069 |
| Sundry Deposits | 266 743 | 241 805 |
| Other Creditors | 6 841 167 | 4 398 014 |
| Salary Control Account | 600 859 | - |
| Accrued Leave | 5 602 285 | 4 311 470 |
| Total Payables | <u>19 233 024</u> | <u>14 979 053</u> |

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|------------------------------|-------------------------|-------------------------|
| Payments Received in Advance | 1 609 422 | 1 416 698 |
| Total Payables | <u>1 609 422</u> | <u>1 416 698</u> |

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from Government

| | | |
|------------------------------|------------------|------------------|
| | 3 760 679 | 7 095 267 |
| National Government Grants | 1 798 375 | 1 768 757 |
| Provincial Government Grants | 1 923 116 | 5 287 322 |
| Local Government Grants | 39 188 | 39 188 |

17.2 Other Conditional Receipts

| | | |
|----------------------|---|---|
| Public Contributions | - | - |
|----------------------|---|---|

Total Conditional Grants and Receipts

| | |
|------------------|------------------|
| 3 760 679 | 7 095 267 |
|------------------|------------------|

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

18. VAT PAYABLE

| | | |
|--------------------|------------------|----------------|
| VAT Payable | 1 538 757 | 713 849 |
|--------------------|------------------|----------------|

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

19. LONG-TERM LIABILITIES

| | | |
|---|----------------|------------------|
| Annuity Loans | 3 212 014 | 5 988 903 |
| Sub-total | 3 212 014 | 5 988 903 |
| Less: Current Portion transferred to Current Liabilities | (2 478 337) | (2 757 975) |
| Annuity Loans | (2 478 337) | (2 757 975) |
| Total Long-term Liabilities (Neither past due, nor impaired) | 733 677 | 3 230 928 |

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2014: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2014: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

19.2 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-------------------|-------------------|
| 20. EMPLOYEE BENEFIT LIABILITIES | | |
| Post-retirement Health Care Benefits Liability | 33 925 800 | 31 349 656 |
| Long Service Awards Liability | 3 087 807 | 2 670 572 |
| Total Employee Benefit Liabilities | 37 013 607 | 34 020 228 |
| 20.1 Post-retirement Health Care Benefits Liability | | |
| Balance at beginning of Year | 32 350 240 | 29 721 154 |
| Contributions to Provision | 1 828 833 | 1 466 239 |
| Increase due to Discounting | 2 886 475 | 2 586 237 |
| Expenditure incurred | (1 000 584) | (882 492) |
| Actuarial (Gains) /Losses | (1 087 988) | (540 898) |
| Balance at end of Year | 34 976 976 | 32 350 240 |
| Transfer to Current Provisions | (1 051 176) | (1 000 584) |
| Total Post-retirement Health Care Benefits Liability | 33 925 800 | 31 349 656 |
| <p>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</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 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.</p> <p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p> | | |
| In-service Members (Employees) | 54 | 53 |
| In-service Non-members (Employees) | 284 | 274 |
| Continuation Members (Retirees, widowers and orphans) | 29 | 30 |
| Total Members | 367 | 357 |
| <p>The liability in respect of past service has been estimated as follows:</p> | | |
| In-service Members | 20 397 487 | 18 259 872 |
| Continuation Members | 14 579 489 | 14 090 368 |
| Total Liability | 34 976 976 | 32 350 240 |
| <p>The Municipality makes monthly contributions for health care arrangements to the following Medical Aid</p> <ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed <p>The Current-service Cost for the year ending 30 June 2015 is estimated to be R1 828 833, whereas the cost for the ensuing year is estimated to be R2 065 923 (2013: R1 466 239 and R1 828 833 respectively).</p> | | |
| The principal assumptions used for the purposes of the actuarial valuations were as follows: | | |
| Discount Rate | 8,98% | 9,06% |
| Health Care Cost Inflation Rate | 8,06% | 8,23% |
| Net Effective Discount Rate | 0,85% | 0,76% |
| Expected Retirement Age - Females | 59 | 59 |
| Expected Retirement Age - Males | 63 | 63 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| 20. EMPLOYEE BENEFIT LIABILITIES (Continued) | | | | | |
| Movements in the present value of the Defined Benefit Obligation were as follows: | | | | | |
| Balance at the beginning of the year | 32 350 240 | 29 721 154 | | | |
| Current service costs | 1 828 833 | 1 466 239 | | | |
| Interest cost | 2 886 475 | 2 586 237 | | | |
| Benefits paid | (1 000 584) | (882 492) | | | |
| Actuarial losses / (gains) | (1 087 988) | (540 898) | | | |
| Total Recognised Benefit Liability | 34 976 976 | 32 350 240 | | | |
| The amounts recognised in the Statement of Financial Position are as follows: | | | | | |
| Present value of fund obligations | 34 976 976 | 32 350 240 | | | |
| Total Benefit Liability | 34 976 976 | 32 350 240 | | | |
| The amounts recognised in the Statement of Financial Performance are as follows: | | | | | |
| Current service cost | 1 828 833 | 1 466 239 | | | |
| Interest cost | 2 886 475 | 2 586 237 | | | |
| Expenditure incurred | (1 000 584) | (882 492) | | | |
| Actuarial losses / (gains) | (1 087 988) | (540 898) | | | |
| Total Post-retirement Benefit included in Employee Related Costs (Note 32) | 2 626 736 | 2 629 086 | | | |
| The history of experienced adjustments is as follows: | | | | | |
| | 2015 R | 2014 R | 2013 R | 2012 R | 2011 R |
| Present Value of Defined Benefit Obligation | 34 976 976 | 32 350 240 | 29 721 154 | 25 908 685 | 26 598 730 |
| Deficit | 34 976 976 | 32 350 240 | 29 721 154 | 25 908 685 | 26 598 730 |
| Experienced adjustments on Plan Liabilities | 36 064 964 | 32 891 138 | 28 430 330 | 29 078 560 | 26 598 730 |
| 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 | | | | 5 701 300 | 4 839 500 |
| Effect on the defined benefit obligation | | | | 41 132 000 | 37 942 000 |
| Decrease: | | | | | |
| Effect on the aggregate of the current service cost and the interest cost | | | | 3 940 800 | 3 427 400 |
| Effect on the defined benefit obligation | | | | 30 039 000 | 27 846 000 |
| The Municipality expects to make a contribution of R2 065 923 (2014: R1 828 833) to the Defined Benefit Plans during the next financial year. | | | | | |
| Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally | | | | | |
| 20.2 Long Service Awards Liability | | | | | |
| Balance at beginning of Year | | | | 3 083 492 | 2 933 312 |
| Contributions to Provision | | | | 312 023 | 421 885 |
| Increase due to Discounting | | | | 226 797 | 192 955 |
| Expenditure incurred | | | | (412 920) | (419 799) |
| Actuarial (Gains) /Losses | | | | 173 423 | (44 861) |
| Balance at end of Year | | | | 3 382 815 | 3 083 492 |
| Transfer to Current Provisions | | | | (295 008) | (412 920) |
| Total Long Service Awards Liability | | | | 3 087 807 | 2 670 572 |
| The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. | | | | | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------------|-------------------|
| 20. EMPLOYEE BENEFIT LIABILITIES (Continued) | | |
| <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 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.</p> <p>At year end, 338 (2014: 326) employees were eligible for Long-services Awards.</p> <p>The Current-service Cost for the year ending 30 June 2015 is estimated to be R312 023 (2014: R421 885), whereas the cost for the ensuing year is estimated to be R369 911 (2014: R312 023).</p> | | |
| The principal assumptions used for the purposes of the actuarial valuations were as follows: | | |
| Discount Rate | 8,03% | 7,87% |
| Cost Inflation Rate | 7,09% | 7,06% |
| Net Effective Discount Rate | 0,88% | 0,76% |
| Movements in the present value of the Defined Benefit Obligation were as follows: | | |
| Balance at the beginning of the year | 3 083 492 | 2 933 312 |
| Current service costs | 312 023 | 421 885 |
| Interest cost | 226 797 | 192 955 |
| Benefits paid | (412 920) | (419 799) |
| Actuarial losses / (gains) | 173 423 | (44 861) |
| Total Recognised Benefit Liability | 3 382 815 | 3 083 492 |
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 3 382 815 | 3 083 492 |
| Total Benefit Liability | 3 382 815 | 3 083 492 |
| The amounts recognised in the Statement of Financial Performance are as follows: | | |
| Current service cost | 312 023 | 421 885 |
| Interest cost | 226 797 | 192 955 |
| Benefits paid | (412 920) | (419 799) |
| Actuarial losses / (gains) | 173 423 | (44 861) |
| Total Post-retirement Benefit included in Employee Related Costs (Note 32) | 299 323 | 150 180 |
| <p>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</p> | | |
| Increase: | | |
| Effect on the aggregate of the current service cost and the interest cost | 581 000 | 649 600 |
| Effect on the defined benefit obligation | 3 600 000 | 3 274 000 |
| Decrease: | | |
| Effect on the aggregate of the current service cost and the interest cost | 500 900 | 583 600 |
| Effect on the defined benefit obligation | 3 185 000 | 2 909 000 |
| <p>The Municipality expects to make a contribution of R295 008 (2014: R352 831) to the Defined Benefit Plans during the next financial year.</p> | | |
| 21. NON-CURRENT PROVISIONS | | |
| Provision for Rehabilitation of Land-fill Sites | 16 450 671 | 15 659 849 |
| Total Non-current Provisions | 16 450 671 | 15 659 849 |
| The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows: | | |
| Balance at beginning of year | 15 659 849 | 14 907 044 |
| Contributions to provision | 790 822 | 752 805 |
| | 16 450 671 | 15 659 849 |
| Transfer to current provisions | - | - |
| Balance at end of year | 16 450 671 | 15 659 849 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 R | 2014 R |
|---|------------------------------------|-------------------|-------------------|
| 21. NON-CURRENT PROVISIONS (Continued) | | | |
| 21.1 Rehabilitation of Land-fill Sites | | | |
| The Municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2016/17 and 2024/25. Provision has been made for the net present value of this cost. | | | |
| | Proposed Rehabilitation | | |
| Britstown Landfill | 2036/2037 | 12 081 738 | 12 081 738 |
| De Aar Landfill | 2021/2022 | 1 375 345 | 1 375 345 |
| Hanover Landfill | 2026/2027 | 2 202 767 | 2 202 767 |
| | | 15 659 850 | 15 659 850 |

22. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

| | | |
|--|--------------------|--------------------|
| Capital Replacement Reserve (CRR) | 2 252 793 | 2 252 793 |
| Accumulated Surplus / (Deficit) due to the results of Operations | 907 289 827 | 956 380 598 |
| Total Accumulated Surplus | 909 542 620 | 958 633 391 |

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.

23. PROPERTY RATES

| | Property Valuations | | Actual Levies | |
|-----------------------------|----------------------------|------------------------|----------------------|-------------------|
| | 2015 R000's | 2014 R000's | | |
| Agricultural | 1 172 727 179 | 1 172 727 179 | 11 303 812 | 10 855 068 |
| Commercial | 177 013 456 | 177 013 456 | 1 706 217 | 1 638 483 |
| Industrial | - | - | - | - |
| Municipal | 26 589 449 | 26 589 449 | 256 293 | 246 119 |
| Residential | 797 198 115 | 797 198 115 | 7 684 121 | 7 379 073 |
| State | 99 038 593 | 99 038 593 | 954 624 | 916 727 |
| Consent Use | - | - | - | - |
| Undeveloped | - | - | - | - |
| Total Property Rates | 2 272 566 792 | 2 272 566 792 | 21 905 068 | 21 035 469 |

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on a 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:

Residential Properties: 1.2133 c/R (2014: 1.1500 c/R)
Business Properties: 1.2578 c/R (2014: 1.1700 c/R)
State Owned Properties: 1.5900 c/R (2014: 1.5000 c/R)

A rebate of 100.00% (2014: 100.00%) was allowed on residential properties whose market value is R 18 000 and less and agriculture properties are levied as per Government Gazette of 2009.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 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. | | |
| 24. FINES | | |
| Penalties for Consumers | 190 705 | 112 650 |
| Traffic Fines | 22 820 181 | 17 651 863 |
| Total Fines | 23 010 886 | 17 764 513 |
| 25. LICENCES AND PERMITS | | |
| Driver and Learner Licences | 347 525 | 474 115 |
| Roadworthy and Other Special Permits | 909 405 | 829 834 |
| Other | - | 633 |
| Total Licences and Permits | 1 256 930 | 1 304 582 |
| 26. GOVERNMENT GRANTS AND SUBSIDIES | | |
| National Equitable Share | 35 342 000 | 34 819 000 |
| Provincial: Sports, Arts and Culture (Library Grant) | 757 000 | 679 000 |
| Operational Grants | 36 099 000 | 35 498 000 |
| Conditional Grants | 18 124 569 | 23 355 606 |
| National: EPWP | 897 011 | 1 233 796 |
| National: FMG | 1 600 000 | 1 550 000 |
| National: MIG | 13 967 188 | 13 101 844 |
| National: MSIG | 934 000 | 890 000 |
| Provincial: DWA (Other Capital Projects) | 81 370 | 1 804 910 |
| Provincial: Sports, Arts and Culture (Phandulwazi Upgrade) | - | - |
| Provincial: Housing Accreditation | 645 000 | 458 333 |
| Provincial: Department of Health | - | 1 150 332 |
| Provincial: Department of Education | - | 235 000 |
| Provincial: Department of Roads | - | 1 829 187 |
| Provincial: DWA | - | - |
| Provincial: Department of Roads | - | 560 000 |
| National: Integrated National Electrification Programme (INEP) | - | 542 205 |
| Other Local Government | - | - |
| Total Government Grants and Subsidies | 54 243 255 | 58 853 606 |
| Government Grants and Subsidies: | | |
| Conditional Grants - Capital | 14 473 251 | 19 830 063 |
| Conditional Grants - Operational | 3 671 004 | 3 525 543 |
| Unconditional Grants - Capital | - | - |
| Unconditional Grants - Operational | 36 099 000 | 35 498 000 |
| Total Government Grants and Subsidies | 54 243 255 | 58 853 606 |
| Summary of Transfers: | | |
| Conditions met - transferred to Revenue: Operating Expenses | 39 770 004 | 39 023 543 |
| Conditions met - transferred to Revenue: Capital Expenses | 14 473 251 | 19 830 063 |
| Total Transfers | 54 243 255 | 58 853 606 |
| Operational Grants: | | |
| 26.1 National: Equitable Share | 35 342 000 | 34 819 000 |
| 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 R367 (2014: R342), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds | | |
| 26.2 Provincial: Sports, Arts and Culture (Library Grant) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 757 000 | 679 000 |
| Conditions met - transferred to Operating Revenue | (757 000) | (679 000) |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-----------|-----------|
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | - |

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.

Conditional Grants:

26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

26.3 National: Expanded Public Works Programme

| | | |
|--|---------------|-------------|
| Balance unspent at beginning of year | - | 233 796 |
| Current year receipts | 1 000 000 | 1 000 000 |
| Conditions met - transferred to Operating Revenue | - | - |
| Conditions met - transferred to Capital Revenue | (897 011) | (1 233 796) |
| Conditions met - transferred to Other Revenue (Own Income) | (55 715) | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 47 275 | - |

This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld.

26.4 National: Financial Management Grant (FMG)

| | | |
|--|-------------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 600 000 | 1 550 000 |
| Conditions met - transferred to Operating Revenue | (1 600 000) | (1 550 000) |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | - |

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.

26.5 National: Municipal Infrastructure Grant (MIG)

| | | |
|--|------------------|------------------|
| Balance unspent at beginning of year | 1 511 512 | 6 053 160 |
| Current year receipts | 16 108 000 | 15 324 000 |
| Conditions met - transferred to Operating Revenue | (390 948) | (503 240) |
| Conditions met - transferred to Capital Revenue | (13 576 240) | (12 598 604) |
| Conditions met - transferred to Other Revenue (Own Income) | (1 900 674) | (1 763 804) |
| Other Adjustments / Refunds | - | (5 000 000) |
| Conditions still to be met - transferred to Current liabilities (see Note 18) | 1 751 651 | 1 511 512 |

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B").

At yearend, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at

26.6 National: Municipal Systems Improvement Grant (MSIG)

| | | |
|--|-----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 934 000 | 890 000 |
| Conditions met - transferred to Operating Revenue | (934 000) | (890 000) |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | - |

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|---------------|---------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES (Continued) | | |
| 26.7 Provincial: Department of Water Affairs | | |
| Balance unspent at beginning of year | 15 621 | - |
| Current year receipts | 92 762 | 2 065 804 |
| Conditions met - transferred to Operating Revenue | (81 370) | (123 970) |
| Conditions met - transferred to Capital Revenue | - | (1 680 940) |
| Conditions met - transferred to Other Revenue (Own Income) | (11 392) | (245 274) |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 15 621 | 15 621 |

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.

26.8 Provincial: Sports, Arts and Culture (Phandulwazi Upgrade)

| | | |
|--|----------------|----------------|
| Balance unspent at beginning of year | 150 000 | 150 000 |
| Current year receipts | - | - |
| Conditions met - transferred to Operating Revenue | - | - |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 150 000 | 150 000 |

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted

26.9 Provincial: Housing Accreditation

| | | |
|--|-----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 645 000 | 458 333 |
| Conditions met - transferred to Operating Revenue | (645 000) | (458 333) |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | - |

This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

26.10 Provincial: Department of Health

| | | |
|--|-------------|------------------|
| Balance unspent at beginning of year | 3 599 559 | 3 410 938 |
| Current year receipts | - | 1 500 000 |
| Conditions met - transferred to Operating Revenue | - | - |
| Conditions met - transferred to Capital Revenue | - | (1 150 332) |
| Conditions met - transferred to Other Revenue (Own Income) | (3 599 559) | (161 047) |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | 3 599 559 |

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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|------------------|------------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES (Continued) | | |
| 26.11 Provincial: Department of Education | | |
| Balance unspent at beginning of year | 1 232 100 | - |
| Current year receipts | - | 1 500 000 |
| Conditions met - transferred to Operating Revenue | - | - |
| Conditions met - transferred to Capital Revenue | - | (235 000) |
| Conditions met - transferred to Other Revenue (Own Income) | - | (32 900) |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 1 232 100 | 1 232 100 |

The grant was received for the construction of a new athletics field. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at

26.12 Provincial: Department of Roads

| | | |
|--|----------------|----------------|
| Balance unspent at beginning of year | 290 042 | 2 232 729 |
| Current year receipts | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (19 686) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (1 829 187) |
| Conditions met - transferred to Revenue: VAT portion released | (2 756) | (113 500) |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 267 600 | 290 042 |

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.

26.13 Provincial: Department of Roads

| | | |
|--|----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 560 000 |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (560 000) |
| Conditions met - transferred to Revenue: VAT portion released | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | - | - |

This grant was allocated for the construction and upgrading of roads within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

26.14 National: Integrated National Electrification Programme (INEP)

| | | |
|--|----------------|----------------|
| Balance unspent at beginning of year | 257 795 | - |
| Current year receipts | - | 800 000 |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (542 205) |
| Conditions met - transferred to Revenue: VAT portion released | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 257 795 | 257 795 |

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

26.15 Other Local Government

| | | |
|--|---------------|---------------|
| Balance unspent at beginning of year | 39 188 | 39 188 |
| Current year receipts | - | - |
| Conditions met - transferred to Operating Revenue | - | - |
| Conditions met - transferred to Capital Revenue | - | - |
| Conditions met - transferred to Other Revenue (Own Income) | - | - |
| Other Adjustments / Refunds | - | - |
| Conditions still to be met - transferred to Current liabilities (see Note 17) | 39 188 | 39 188 |

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-------------------|-------------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES (Continued) | | |
| 26.16 Changes in levels of Government Grants | | |
| Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years. | | |
| 27. SERVICE CHARGES | | |
| Sale of Electricity | 59 934 848 | 56 487 600 |
| Sale of Water | 20 888 046 | 18 745 519 |
| Refuse Removal | 5 822 484 | 5 705 360 |
| Sewerage and Sanitation Charges | 10 668 235 | 10 301 577 |
| Other Service Charges | 427 195 | 414 759 |
| Total Service Charges | 97 740 808 | 91 654 816 |
| 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 | 83 135 | 81 502 |
| Rental Revenue from Land | 1 083 070 | 586 428 |
| Rental Revenue from Other Facilities | 22 700 | 79 215 |
| Total Rental of Facilities and Equipment | 1 188 905 | 747 144 |
| Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out. | | |
| 29. INTEREST EARNED | | |
| Property Rates: | | |
| Interest / Penalties Raised | 170 342 | 149 924 |
| | 170 342 | 149 924 |
| External Investments: | | |
| Bank Account | 104 700 | 146 833 |
| Investments | 845 700 | 883 642 |
| Other Deposits | - | - |
| | 950 399 | 1 030 475 |
| Total Interest Received | 950 399 | 1 030 475 |
| Interest - Fixed Deposits | - | - |
| Interest - Notice Deposits | - | - |
| Interest - Other | - | - |
| Interest - Variable Rate Instruments | 950 399 | 1 030 475 |
| Outstanding Debtors: | | |
| Long-term Debtors | - | - |
| Outstanding Billing Debtors | 645 761 | 625 352 |
| | 645 761 | 625 352 |
| Total Interest Earned | 1 766 503 | 1 805 751 |
| Interest Earned on Financial Assets, analysed by category of asset, is as follows: | | |
| Available-for-Sale Financial Assets | 950 399 | 1 030 475 |
| Loans and Receivables | 816 103 | 775 276 |
| | 1 766 503 | 1 805 751 |
| Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43. | | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|----------------------------|------------------|------------------|
| 30. OTHER REVENUE | | |
| Building Plan Fees | 116 632 | 41 675 |
| Grave Fees | 281 548 | 256 797 |
| Sundries Levies | 4 536 255 | 224 052 |
| Own Income - VAT | 1 967 780 | 2 316 525 |
| Reconnection Fees | 204 958 | 219 587 |
| Tender Documents | 26 266 | 4 850 |
| Other Non-material Income | 117 599 | 153 416 |
| Total Other Revenue | 7 251 038 | 3 216 902 |

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

| | | |
|--|----------------|-----------------|
| 31. PROFIT (LOSS) ON SALE OF LAND | | |
| Proceeds on Sale of Land | 1 186 324 | 470 543 |
| Cost of Sale of Land | (207 700) | (540 299) |
| Total Profit on Sale of Land | 978 624 | (69 756) |

| | | |
|---|-------------------|-------------------|
| 32. EMPLOYEE RELATED COSTS | | |
| Employee Related Costs - Salaries and Wages | 48 248 010 | 42 470 180 |
| Basic Salaries and Wages | 42 882 124 | 38 636 168 |
| Long Service Bonuses | 216 516 | - |
| Leave Encashed | 1 707 088 | 366 179 |
| Service Bonuses | 3 442 282 | 3 467 833 |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids | 10 585 794 | 9 735 828 |
| Group Life | 46 681 | 50 478 |
| Medical | 2 470 281 | 2 272 783 |
| Pension | 7 160 963 | 6 460 521 |
| Industrial Council Levy | 28 598 | 26 264 |
| Skills Development Levy | 476 197 | 513 949 |
| UIF | 403 075 | 411 833 |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 2 646 838 | 2 537 967 |
| Allowances | 2 646 838 | 2 539 467 |
| Pensioners Allowances | - | (1 500) |
| Housing Benefits and Allowances | 93 036 | 108 794 |
| Overtime Payments | 2 364 532 | 2 261 599 |
| Defined Benefit Plan Expense: | 2 626 736 | 2 629 086 |
| Current Service Cost | 1 828 833 | 583 747 |
| Interest Cost | 2 886 475 | 2 586 237 |
| Net Actuarial (gains)/losses recognised | (1 087 988) | (540 898) |
| Vested Past Service Cost | (1 000 584) | - |
| Long-service Award Liability Expense: | 299 323 | 150 180 |
| Current Service Cost | 312 023 | 421 885 |
| Interest Cost | 226 797 | 192 955 |
| Net Actuarial (gains)/losses recognised | 173 423 | (44 861) |
| Vested Past Service Cost | (412 920) | (419 799) |
| Total Employee Related Costs | 66 864 269 | 59 893 633 |

No advances were made to employees.

Included in Employee Related Costs is an amount of R7 160 963 (2014: R6 460 521) 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 | 856 769 | 828 514 |
| Performance Bonus | 192 969 | 147 037 |
| Car and Other Allowances | 258 000 | 247 008 |
| Company Contributions to UIF, Medical and Pension Funds | 150 182 | 138 842 |
| Total | 1 457 919 | 1 361 401 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-------------------|-------------------|
| 32. EMPLOYEE RELATED COSTS (Continued) | | |
| <i>Remuneration of the Chief Financial Officer</i> | | |
| Annual Remuneration | 698 809 | 654 111 |
| Performance Bonus | 172 314 | 151 471 |
| Car and Other Allowances | 271 392 | 262 708 |
| Company Contributions to UIF, Medical and Pension Funds | 135 829 | 125 911 |
| Total | 1 278 343 | 1 194 201 |
| <i>Remuneration of the Director: Corporate Services</i> | | |
| Annual Remuneration | 513 874 | 476 387 |
| Performance Bonus | 100 249 | 72 950 |
| Car and Other Allowances | 125 690 | 128 090 |
| Company Contributions to UIF, Medical and Pension Funds | 145 056 | 135 015 |
| Total | 884 870 | 812 443 |
| <i>Remuneration of the Director: Community and Development Services</i> | | |
| Annual Remuneration | 615 208 | 591 001 |
| Performance Bonus | 88 000 | - |
| Car and Other Allowances | 161 952 | 155 520 |
| Company Contributions to UIF, Medical and Pension Funds | 108 327 | 99 634 |
| Total | 973 486 | 846 156 |
| <i>Remuneration of the Director: Infrastructure and Housing Services</i> | | |
| Annual Remuneration | 490 414 | 524 319 |
| Performance Bonus | 66 000 | 103 136 |
| Car and Other Allowances | 36 665 | 138 228 |
| Company Contributions to UIF, Medical and Pension Funds | 127 538 | 97 363 |
| Total | 720 616 | 863 046 |
| The post was vacated on 30 April 2014. An Acting Allowance was paid for the period 1 May 2014 to 31 July | | |
| No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June. | | |
| 33. REMUNERATION OF COUNCILLORS | | |
| Mayor | 698 408 | 655 551 |
| Speaker | 560 199 | 651 917 |
| Councillors | 1 681 485 | 1 612 331 |
| Company Contributions to UIF, Medical and Pension Funds | 327 600 | 375 086 |
| Other Allowances (Cellular Phones, Housing, Transport, etc) | 858 767 | 862 300 |
| Total Councillors' Remuneration | 4 126 459 | 4 157 184 |
| Remuneration of Councillors: | | |
| <i>In-kind Benefits</i> | | |
| Councillors may utilise official Council transportation when engaged in official duties. | | |
| The Mayor has use of a Council owned vehicle for official duties. | | |
| 34. COLLECTION COSTS | | |
| Commission Paid | 283 077 | - |
| Total Collection Costs | 283 077 | - |
| 35. DEPRECIATION AND AMORTISATION | | |
| Depreciation: Property, Plant and Equipment | 61 215 465 | 64 966 393 |
| Amortisation: Intangible Assets | 170 277 | 247 176 |
| Total Depreciation and Amortisation | 61 385 742 | 65 213 569 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------------|-------------------|
| 36. IMPAIRMENT LOSSES | | |
| 36.1 Impairment Losses on Fixed Assets | | |
| Impairment Losses Recognised: | 84 818 | 52 915 |
| Property, Plant and Equipment | 84 818 | 52 915 |
| Intangible Assets | - | - |
| Impairment Losses Reversed: | - | - |
| Property, Plant and Equipment | - | - |
| Intangible Assets | - | - |
| | 84 818 | 52 915 |
| 36.2 Impairment Losses on Financial Assets | | |
| Impairment Losses Recognised: | 35 627 279 | 53 229 806 |
| Receivables from Exchange Transactions | 14 609 070 | 29 589 951 |
| Receivables from Non-exchange Transactions | 21 018 209 | 23 639 855 |
| Impairment Losses Reversed: | - | - |
| Receivables from Exchange Transactions | - | - |
| Receivables from Non-exchange Transactions | - | - |
| | 35 627 279 | 53 229 806 |
| Total Impairment Losses | 35 712 096 | 53 282 721 |
| 37. REPAIRS AND MAINTENANCE | | |
| Land and Buildings | 907 927 | 536 870 |
| Infrastructure - Electricity | 3 127 993 | 4 310 505 |
| Infrastructure - Road Transport | 604 426 | 1 310 473 |
| Infrastructure - Sanitation | 7 520 | 62 543 |
| Infrastructure - Water | 698 894 | 922 775 |
| Infrastructure - Other | 2 679 008 | 1 540 773 |
| Other Assets | 3 189 046 | 2 926 934 |
| Total Repairs and Maintenance | 11 214 814 | 11 610 873 |
| 38. FINANCE COSTS | | |
| Bank Overdraft | 23 589 | 7 534 |
| Finance Leases | - | 64 386 |
| Current Borrowings | 522 138 | 783 203 |
| Landfill Provision | 790 822 | 752 806 |
| Total Interest Paid on External Borrowings | 1 336 550 | 1 607 928 |
| The weighted average capitalisation rate on funds borrowed generally is 10.00% per annum (2014: 10.00% per annum). | | |
| 39. BULK PURCHASES | | |
| Electricity | 45 222 232 | 42 152 616 |
| Water | 1 826 423 | 1 382 964 |
| Total Bulk Purchases | 47 048 655 | 43 535 580 |
| Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources. | | |
| 40. CONTRACTED SERVICES | | |
| Professional Fees | 2 708 719 | 1 904 368 |
| Security Services | 1 813 991 | 2 277 338 |
| Other Contracted Services | 3 277 188 | 3 045 979 |
| Total Contracted Services | 7 799 898 | 7 227 685 |
| 41. GRANTS AND SUBSIDIES PAID | | |
| Community Projects | - | 546 404 |
| Other Grants and Subsidies Paid | 225 467 | 203 600 |
| Total Grants and Subsidies | 225 467 | 750 004 |
| 42. GENERAL EXPENSES | | |
| Included in General Expenses are the following: | | |
| Advertising | 326 152 | 139 162 |
| Assessment Rates and Municipal Charges | 2 836 510 | 1 566 189 |
| Audit Fees | 2 138 388 | 2 036 893 |
| Bank Charges | 411 149 | 334 543 |
| Branding of the Municipality | 43 363 | 14 438 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--------------------------------|-------------------|-------------------|
| Cleaning Materials | 119 262 | 105 186 |
| Conference Fees | 58 705 | 60 604 |
| Driving License Fees | 112 413 | 393 177 |
| Electricity Rural Water Pumps | 1 617 198 | 1 098 306 |
| Entertainment | 210 079 | 224 532 |
| Fuel and Oil | 3 393 605 | 3 004 857 |
| Grave Excavations | 44 785 | 68 613 |
| HR Employee Wellness | 2 074 679 | 2 052 590 |
| IDP Review | 16 445 | 60 298 |
| Insurance | 730 593 | 1 325 172 |
| Internal Audit | 41 651 | 33 588 |
| Legal Costs | 33 561 | 85 516 |
| Levies: SALGA | 620 496 | 532 714 |
| License Fees and Subscriptions | 548 031 | 286 580 |
| Magazines and Reference Work | 3 260 | - |
| Motor Vehicle Expenses | 141 517 | 139 901 |
| Printing and Stationery | 886 497 | 1 221 562 |
| Protective Clothing | 294 450 | 270 680 |
| Sundry Expenses | 238 767 | 543 317 |
| Strategic Planning Expenses | 291 586 | 283 231 |
| Telephone Cost | 1 217 833 | 1 210 634 |
| Tourism Strategy | 85 897 | 227 849 |
| Training Costs | 659 802 | 175 461 |
| Travelling and Subsistence | 2 412 432 | 1 953 922 |
| Water | 71 628 | 143 318 |
| Workmen's Compensation | - | 5 550 |
| Youth Development Programme | 15 355 | 74 334 |
| Total General Expenses | 21 696 085 | 19 672 718 |

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

43. OTHER GAINS AND LOSSES

| | | |
|---|--------------|--------------|
| Change in Fair Value of Financial Assets designated as at FVTPL | 4 551 | 7 108 |
| Net Other Gains and Losses | 4 551 | 7 108 |

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|------------------|----------------|
| 44. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT | | |
| Proceeds on Sale of Assets | - | 519 161 |
| Assets Disposed at Carrying Value: | (744 226) | (355 068) |
| Cost of Disposed Assets | (2 194 666) | (1 536 140) |
| Accumulated Depreciation of Disposed Assets | 1 447 251 | 1 167 136 |
| Accumulated Impairment of Disposed Assets | 3 189 | 13 935 |
| Total Gains / Losses on Disposal of Capital Assets | (744 226) | 164 092 |

45. CHANGE IN ACCOUNTING POLICY

45.1 GRAP 20 - Related Parties

The Municipality has developed Accounting Policies to fully comply with GRAP 20 (Related Parties). Previously the Municipality used the principles set out in IPSAS 20 to account for related parties. Management has evaluated the requirements of the Standard and it was found that no adjustments need to

45.2 GRAP 103 - Heritage Assets

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 has now identified all Heritage Assets and have it valued in terms of GRAP 103.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

| | | |
|--|-------------|-------------|
| Increase (Decrease) in Heritage Assets | 6 959 273 | 6 959 273 |
| (Increase) Decrease in Accumulated Surplus | (6 959 273) | (6 959 273) |
| | <u>-</u> | <u>-</u> |

46. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2014 and 30 June 2015. Details of the adjustments are as follows:

Statement of Financial Position:

| | | |
|--|-------------------|-------------------|
| Property, Plant and Equipment | 923 698 842 | 919 625 109 |
| Investment Properties | 383 792 | 383 792 |
| Intangible Assets | 5 004 000 | 5 004 000 |
| Heritage Assets (refer to Note 45) | - | 6 959 273 |
| Non-current Investments | 21 088 | 21 088 |
| Operating Lease Receivables | 63 231 | (25 894) |
| Long-term Receivables | 1 164 | 1 164 |
| Inventories | 63 059 361 | 63 193 061 |
| Receivables from Exchange Transactions | 30 488 661 | 30 488 661 |
| Receivables from Non-exchange Transactions | 13 282 995 | 16 090 368 |
| Cash and Cash Equivalents | 12 210 203 | 12 210 203 |
| Current Portion of Operating Lease Receivables | 31 791 | 31 791 |
| Consumer Deposits | (1 949 136) | (1 949 136) |
| Provisions | (1 413 504) | (1 413 504) |
| Payables from Exchange Transactions | (12 979 185) | (14 978 446) |
| Payables from Non-exchange Transactions | (1 552 637) | (1 552 637) |
| Unspent Conditional Grants and Receipts | (7 095 267) | (7 095 267) |
| VAT Payable | 344 502 | (713 849) |
| Bank Overdraft | (11 924 753) | (11 977 403) |
| Current Portion of Long-term Borrowings | (2 757 975) | (2 757 975) |
| Long-term Liabilities | (3 230 928) | (3 230 928) |
| Employee Benefits | (34 020 228) | (34 020 228) |
| Non-current Provisions | (15 659 850) | (15 659 850) |
| Accumulated Surplus - Opening Balance | (1 022 786 943) | (1 022 786 943) |
| Accumulated Surplus - Prior Period Error | - | 578 496 |
| Accumulated Surplus - Change in Accounting Policy (refer to Note 45) | | (6 959 273) |
| Accumulated Surplus - Surplus (Loss) for the Year | 66 780 777 | 70 534 327 |
| | <u>(0)</u> | <u>(0)</u> |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-----------|------------------|
| 46. CORRECTION OF ERROR (Continued) | | |
| Statement of Financial Performance: | | |
| Fines | | 1 756 662 |
| Rental from Facilities and Equipment | | (25 582) |
| Depreciation and Amortisation | | (2 870 572) |
| Impairment Losses | | 5 351 176 |
| General Expenses | | (324 434) |
| Loss on Sale of Land | | (133 700) |
| | | 3 753 550 |

The details of the reclassifications of correction of errors made are as follows:

46.1 VAT on Departmental Accounts not previously claimed

Management discovered that the VAT charged on the Departmental Accounts have not been claimed back, although the Output VAT portion of the charge was declared and paid over to SARS. In order to recover this financial losses, the Input VAT has subsequently been claimed.

The effect is as follows:

| | | |
|--|-------------|-----------|
| Statement of Financial Position: | | |
| (Increase) / Decrease in VAT Payable | 1 517 222 | 1 517 222 |
| (Increase) / Decrease in Accumulated | (1 517 222) | (894 978) |
| Statement of Financial Performance: | | |
| Increase / (Decrease) In General Expenses | | (622 244) |
| | - | - |

46.2 Correction of Operating Lease Asset

During the year, Management revisited the Operating Lease Asset Register to ensure the accuracy and validity of the agreements used in the calculation of the Operating Lease Asset / Liability. The results indicated that the Operating Lease Asset was overstated and the necessary correction was made

The effect is as follows:

| | | |
|---|----------|----------|
| Statement of Financial Position: | | |
| Increase / (Decrease) in Operating Lease | (89 125) | (89 125) |
| (Increase) / Decrease in Accumulated | 89 125 | 114 706 |
| Statement of Financial Performance: | | |
| (Increase) / Decrease in Rental from Facilities and Equipment | | (25 582) |
| | - | - |

46.3 Erf sold incorrectly accounted for in 2014

During the 2014 Financial Year, erf 5118 was accounted for as transferred. This was however found to be incorrect as the erf only transferred after 30 June 2014. The mistaken was made when the Deed was only requested after 30 June 2014 and it was mistakenly concluded that it transferred before yearend.

The effect is as follows:

| | | |
|---|-----------|-----------|
| Statement of Financial Position: | | |
| Increase / (Decrease) in Inventory | 133 700 | 133 700 |
| (Increase) / Decrease in Accumulated | (133 700) | - |
| Statement of Financial Performance: | | |
| Increase / (Decrease) in Loss with Sale of Property | | (133 700) |
| | - | - |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------|-------------|
| 46. CORRECTION OF ERROR (Continued) | | |
| 46.4 Prior year Accruals not recognised | | |
| A number of accruals were not recognised in the 2014 Financial Statements. The expenditure was subsequently accounted for and the respective creditors accounted for. | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| (Increase) / Decrease in Payables from Exchange Transactions | (299 320) | (299 320) |
| (Increase) / Decrease in VAT Payable | 1 510 | 1 510 |
| (Increase) / Decrease in Accumulated | 297 810 | - |
| Statement of Financial Performance: | | |
| Increase / (Decrease) in General Expenses | | 297 810 |
| | <u>-</u> | <u>-</u> |
| 46.5 Bank Reconciling Items cleared | | |
| Items which remained on the Bank Reconciliation could not be verified and no information is available. These were subsequently reversed. | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| Increase / (Decrease) in Cash and Cash Equivalents | (52 650) | (52 650) |
| (Increase) / Decrease in Accumulated | 52 650 | 52 650 |
| | <u>-</u> | <u>-</u> |
| 46.6 VAT on Bad Debts Written-off incorrectly accounted for | | |
| During the 2014 financial year, Management wrote-off debt amounting to R22 157 090.03 (Excluding VAT) against the Provision for Doubtful Debt. During the recording of this write-off, Management wrote the VAT portion of the write-off incorrectly against the VAT control accounts and not the total amount to the | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| (Increase) / Decrease in VAT Payable | (2 577 083) | (2 577 083) |
| (Increase) / Decrease in Accumulated | 2 577 083 | - |
| Statement of Financial Performance: | | |
| Increase / (Decrease) in Impairment Losses | | 2 577 083 |
| | <u>-</u> | <u>-</u> |
| 46.7 Recognition of Gains during Physical Asset Verification | | |
| A number of Movable Other Assets were verified during the year, which was written-off in the previous financial years. As these Other Assets were verified, the necessary adjustments were made to account for | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| Increase / (Decrease) in Property, Plant and Equipment | 283 066 | 283 066 |
| (Increase) / Decrease in Accumulated | (283 066) | (317 027) |
| Statement of Financial Performance: | | |
| Increase / (Decrease) in Depreciation and Amortisation | | 33 961 |
| | <u>-</u> | <u>-</u> |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|--------------------|-------------------|
| 46. CORRECTION OF ERROR (Continued) | | |
| 46.8 Recognition of Fines Revenue, Debtor and relating Impairment Loss | | |
| During the financial year management embarked on a process to recognise the Revenue generated from Fines, as well as the relating Debtor and Impairment Loss (as required by GRAP 23 and GRAP 104). | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| Increase / (Decrease) in Trade Receivables from Non-exchange Transactions | 2 807 373 | 2 807 373 |
| (Increase) / Decrease in Payables from Exchange Transactions | (1 699 941) | (1 699 941) |
| (Increase) / Decrease in Accumulated | (1 107 432) | (5 638 187) |
| Statement of Financial Performance: | | |
| (Increase) / Decrease in Fines | | 1 756 662 |
| Increase / (Decrease) in Impairment Losses | | 2 774 093 |
| | <u>-</u> | <u>-</u> |
| 46.9 Prepaid Electricity Meters incorrectly recognised as Property, Plant and Equipment | | |
| With the implementation of GRAP, the prepaid electricity meters were incorrectly recognised as assets in the Fixed Asset Register and subsequently the Annual Financial Statements. Based on further guidance received, it was discovered that these meters does not meet the definition of an asset and should be removed from the Register. This was subsequently corrected in the Annual Financial Statements. | | |
| The effect is as follows: | | |
| Statement of Financial Position: | | |
| Increase / (Decrease) in Property, Plant and Equipment | (4 356 799) | (4 356 799) |
| (Increase) / Decrease in Accumulated | 4 356 799 | 7 261 332 |
| Statement of Financial Performance: | | |
| Increase / (Decrease) in Depreciation | | (2 904 533) |
| | <u>-</u> | <u>-</u> |
| 47. CHANGE IN ACCOUNTING ESTIMATES | | |
| The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2015. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows: | | |
| Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE | (5 934 788) | - |
| Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets | (403 217) | - |
| Increase / (Decrease) in Depreciation of PPE | <u>(6 338 005)</u> | <u>-</u> |
| Depreciation and Amortisation as previously stated | 68 515 892 | - |
| Adjustment due to Change in Accounting Estimate | (6 338 005) | - |
| Depreciation and Amortisation as per Note 35 | <u>62 177 887</u> | <u>-</u> |
| 48. CASH GENERATED BY OPERATIONS | | |
| Surplus / (Deficit) for the Year | (49 090 771) | (70 534 329) |
| Adjustment for: | | |
| Correction of Prior Year Errors | - | (341 957) |
| Depreciation and Amortisation | 61 385 742 | 65 213 569 |
| Impairment Losses on Property, Plant and Equipment | 84 818 | 52 915 |
| Losses / (Gains) on Disposal of Property, Plant and Equipment | 744 226 | (164 092) |
| Fair Value adjustment of Non-current Investment | (4 551) | (7 108) |
| Profit on Sale of Land | (978 624) | 69 756 |
| Contribution to Retirement Benefit Liabilities | 2 626 736 | 2 779 266 |
| Contribution to Non-current Provisions | 790 822 | 752 806 |
| Contribution to Long Service Awards Liability | 299 323 | - |
| Contribution to Impairment Provision | 35 627 279 | 53 229 806 |
| Operating surplus before working capital changes | <u>51 485 000</u> | <u>51 050 631</u> |
| Decrease/(Increase) in Inventories | (110 853) | (491 631) |
| Decrease/(Increase) in Receivables from Exchange Transactions | (16 040 818) | (13 475 016) |
| Decrease/(Increase) in Receivables from Non-exchange Transactions | (23 164 778) | (16 341 118) |
| Decrease/(Increase) in Operating Lease Assets | 752 | 25 602 |
| Increase/(Decrease) in Consumer Deposits | 163 168 | 124 095 |
| Increase/(Decrease) in Payables from Exchange Transactions | 4 253 971 | 637 643 |
| Increase/(Decrease) in Payables from Non-exchange Transactions | 192 724 | 708 295 |
| Increase/(Decrease) in Conditional Grants and Receipts | (3 334 588) | (5 024 544) |
| Increase/(Decrease) in Payables from VAT Payable | 824 908 | (4 555 308) |
| Cash generated by / (utilised in) Operations | <u>14 269 486</u> | <u>12 658 650</u> |
| 49. NON-CASH INVESTING AND FINANCING TRANSACTIONS | | |
| The Municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015 financial year. | | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-----------|-----------|
| 50. FINANCING FACILITIES | | |
| Unsecured Bank Overdraft Facility, reviewed annually and payable at call: | | |
| - Amount used | - | - |
| - Amount unused | 1 000 000 | 1 000 000 |
| | <u>-</u> | <u>-</u> |
| Unsecured Credit Card Facility, reviewed annually and payable monthly: | | |
| - Amount used | - | - |
| - Amount unused | 50 000 | 50 000 |
| | <u>-</u> | <u>-</u> |
| Unsecured Fleet Card Facility, reviewed annually and payable monthly: | | |
| - Amount used | - | - |
| - Amount unused | 800 000 | 800 000 |
| | <u>-</u> | <u>-</u> |

51. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|-------------|-------------|
| Long-term Liabilities (See Note 19) | 3 212 014 | 5 988 903 |
| Used to finance Property, Plant and Equipment - at cost | (3 212 014) | (5 988 903) |
| Sub-total | <u>-</u> | <u>-</u> |
| Cash set aside for the Repayment of Long-term Liabilities | - | - |
| 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

52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

52.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

| | | |
|---|--------------------|-------------------|
| Opening balance | 95 735 235 | - |
| Unauthorised Expenditure current year | 69 181 215 | 95 735 235 |
| Approved by Council or condoned | - | - |
| Unauthorised Expenditure awaiting authorisation | <u>164 916 450</u> | <u>95 735 235</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>Budgeted votes exceeded:-</i> | <i>Council to condone expenditure.</i> |
| <i>Executive and Council - R2 522 900 (R3 186 638)</i> | |
| <i>Finance and Administration - R0 (R2 094 284)</i> | |
| <i>Planning and Development - R9 695 097 (R8 645 803)</i> | |
| <i>Community and Social Services - R14 817 365 (R10 529 851)</i> | |
| <i>Housing - R2 343 101 (R2 534 451)</i> | |
| <i>Waste Management - R3 798 312 (R10 824 142)</i> | |
| <i>Roads and Transport - R3 937 744 (R6 623 486)</i> | |
| <i>Water - R13 031 894 (R23 832 823)</i> | |
| <i>Electricity - R18 319 166 (R27 463 757)</i> | |
| <i>Other - R715 637 (R0)</i> | |

52.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

| | | |
|---|----------------|----------------|
| Opening balance | 872 216 | 798 860 |
| Fruitless and Wasteful Expenditure current year | - | 73 356 |
| Condoned or written off by Council | - | - |
| Fruitless and Wasteful Expenditure awaiting condonement | <u>872 216</u> | <u>872 216</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|------------------------------|---|
| <i>None were identified.</i> | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|-------------------|-------------------|
| 52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued) | | |
| 52.3 Irregular Expenditure | | |
| Reconciliation of Irregular Expenditure: | | |
| Opening balance | 52 491 106 | 39 350 217 |
| Irregular Expenditure current year | 10 598 860 | 13 140 889 |
| Condoned or written off by Council | - | - |
| Irregular Expenditure awaiting condonement | <u>63 089 966</u> | <u>52 491 106</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|---|---|
| <i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</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 = R1 149 545. | |
| 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 = R1 431 613. | |
| 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 = R2 829 390. | |
| 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 | |

The Municipality is still in process of ensuring the completeness of its Irregular Expenditure (as disclosed above), as this an on-going process.

53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

53.1 Contributions to organised local government - SALGA

| | | |
|---|-----------|-----------|
| Opening Balance | - | - |
| Council Subscriptions | 650 496 | 549 386 |
| Amount Paid - current year | (650 496) | (549 386) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | <u>-</u> | <u>-</u> |

53.2 Audit Fees

| | | |
|---|-------------|-------------|
| Opening Balance | - | - |
| Current year Audit Fee | 2 437 762 | 2 036 893 |
| Amount Paid - current year | (2 437 762) | (2 036 893) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | <u>-</u> | <u>-</u> |

53.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 5 and 19. All VAT returns have been submitted by the due date throughout the year.

53.4 PAYE, Skills Development Levy and UIF

| | | |
|---|----------------|-------------|
| Opening Balance | - | 445 612 |
| Current year Payroll Deductions | 7 493 049 | 6 793 909 |
| Amount Paid - current year | (6 892 190) | (6 793 909) |
| Amount Paid - previous years | - | (445 612) |
| Balance Unpaid (included in Creditors) | <u>600 859</u> | <u>-</u> |

53.5 Pension and Medical Aid Deductions

| | | |
|---|--------------|--------------|
| Opening Balance | - | - |
| Current year Payroll Deductions and Council Contributions | 13 525 815 | 12 296 351 |
| Amount Paid - current year | (13 525 815) | (12 296 351) |
| 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 2015

2015
R

2014
R

53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

53.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

| 30 June 2015 | Total | Outstanding up to 90 days | Outstanding more than 90 days |
|--|---------------|----------------------------------|--------------------------------------|
| Councillor Kivedo MC | 11 124 | 3 389 | 7 735 |
| Councillor Nyl GL | 5 974 | 5 336 | 639 |
| Councillor Witbooi WA | 3 557 | 1 923 | 1 634 |
| Councillor Swanepoel B | 1 809 | 953 | 857 |
| Total Councillor Arrear Consumer Accounts | 22 464 | 11 600 | 10 864 |

| 30 June 2014 | Total | Outstanding up to 90 days | Outstanding more than 90 days |
|--|---------------|----------------------------------|--------------------------------------|
| Councillor Kivedo MC | 14 795 | 4 469 | 10 326 |
| Councillor Jaftha AF | 4 759 | 3 820 | 939 |
| Total Councillor Arrear Consumer Accounts | 19 554 | 8 289 | 11 265 |

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

| 30 June 2015 | Highest amount outstanding | Ageing |
|------------------------|-----------------------------------|---------------|
| Councillor Kivedo MC | 16 455 | > 90 Days |
| Councillor Nyl GL | 770 | > 90 Days |
| Councillor Witbooi WA | 1 634 | > 90 Days |
| Councillor Jaftha AF | 2 601 | > 90 Days |
| Councillor Swanepoel B | 857 | > 90 Days |
| 30 June 2014 | Highest amount outstanding | Ageing |
| Councillor Kivedo MC | 10 326 | > 90 Days |
| Councillor Jaftha AF | 1 180 | > 90 Days |

53.7 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

| Description | Chapter | Section | Sub-section |
|--|----------------|----------------|--------------------|
| General Responsibilities | 7 | 52 | (d) |
| Revenue Management | 8 | 64 | (3) |
| Monthly Budget Statements | 8 | 71 | (i) to (v) |
| Mid-year Budget and Performance Assessment | 8 | 72 | (1) to (3) |
| Information to be placed on Websites of Municipalities | 8 | 75 | (1) to (2) |
| Supply Chain Management Policy to comply with Prescribed Framework | 11 | 112 | |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

53.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

| Reasons | Month | Successful Bidder | One Quotation | Two Quotations | Total |
|---|----------------|-------------------|---------------|----------------|-----------|
| In all instances, only one (1) local supplier could provide the Municipality with the required goods. During July 2014, R29 298 was paid to LPD Hydraulics for the repair of a truck. R27 132 was paid to procure tarr from Colas, as only two (2) service providers exist and the other did not have any tarr in stock. | July 2014 | Various Suppliers | 92 462 | - | 92 462 |
| In most instances, only one (1) local supplier could provide the Municipality with the required goods. During August 2014, R27 132 was paid to Colas (which is included under Two Quotations) as only two service providers exist which can supply the Municipality with tarr. | August 2014 | Various Suppliers | 31 885 | 32 782 | 64 667 |
| R481 425 was paid to Free State Transformers, as this is the only supplier listed on the Municipality's database. The transformer had to be transferred to Bloemfontein as it first had to be inspected to determine the fault. The remaining deviations is the result of only one (1) local suppliers being able to provide the required goods. | September 2014 | Various Suppliers | 612 344 | - | 612 344 |
| R27 132 of the deviated total is represented by payments made to NLS Enterprise for an urgency / emergency. In the majority of instances, no more than one (1) supplier could submit quotations to the Municipality. | October 2014 | Various Suppliers | 80 675 | 5 000 | 85 675 |
| For the following Notices, only one (1) or two (2) quotations were received: Notice 107/2014 - Farad Engineering (R175 915); Notice 102/2014 - Tecrover Projects (R199 400); and Notice 103/2014 - Tecrover Projects (R198 899). In the majority of instances, no more than one (1) supplier could submit quotations to the Municipality. | November 2014 | Various Suppliers | 232 169 | 460 637 | 692 806 |
| R3 000 was paid to Janes Funeral Service, as their tax clearance certificate was valid. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods. | December 2014 | Various Suppliers | 10 201 | 3 229 | 13 430 |
| R44 643 was paid to Prestiage, as only two local suppliers exist and Prestiage is the lowest and best quality. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods. | February 2015 | Various Suppliers | 7 359 | 48 565 | 55 923 |
| R36 550 was paid to Hanover Karoo Gariep as this was the only guesthouse with accommodation available. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods. | March 2015 | Various Suppliers | 74 198 | 78 183 | 152 380 |
| For Notice 13/2015, amounting to R174 897, only Irrigation Equipment submitted a quote. | April 2015 | Various Suppliers | 174 897 | 7 180 | 182 077 |
| For Notice 3/2015, amounting to R176 803, only Tosas submitted a quote. R190 281 was paid to Aga Mzansi, as only two quotes were received for Notice 6/2015 and the aforementioned quote was awarded to amount. For Notice 21/2015, amounting to R174 215, Siphiwuthando Trading and Project was awarded the quote as only two (2) quotes were submitted. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods. | May 2015 | Various Suppliers | 415 642 | 664 288 | 1 079 930 |
| Swift Print is the only local supplier that can print the Annual Report (R117 673), while the remaining items is due to the number of local suppliers available. | June 2015 | Various Suppliers | 134 636 | 4 433 | 139 069 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

53.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

| | | Lost Units | Tariff | Value |
|---------------------|--------------------------------|------------|--------|-----------|
| 30 June 2015 | Unaccounted Electricity Losses | 6 700 414 | 0,7900 | 5 293 327 |
| 30 June 2014 | Unaccounted Electricity Losses | 7 428 611 | 0,7400 | 5 497 172 |

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 | 56 896 563 | 57 021 523 |
| Billed Consumption | (45 571 588) | (45 031 190) |
| Unaccounted | 11 324 975 | 11 990 333 |
| Normal distribution losses - % of electricity purchases | (4 551 725) | (4 561 722) |
| Distribution Loss | 6 773 250 | 7 428 611 |
| Percentage Distribution Loss | 11,90% | 13,03% |

Water:

| | | Lost Units | Tariff | Value |
|---------------------|--------------------------|------------|--------|---------|
| 30 June 2015 | Unaccounted Water Losses | 371 542 | 0,8361 | 310 646 |
| 30 June 2014 | Unaccounted Water Losses | 651 544 | 0,7632 | 497 258 |

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/repaid as soon as they are reported.

54. COMMITMENTS FOR EXPENDITURE

54.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Other

| | |
|---|------------|
| - | 13 902 823 |
| - | 13 902 823 |
| - | - |

- Approved but Not Yet Contracted for:-

Infrastructure
Other

| | |
|---|---|
| - | - |
| - | - |
| - | - |

Total Capital Commitments

| | |
|---|------------|
| - | 13 902 823 |
|---|------------|

This expenditure will be financed from:

Government Grants
Own Resources

| | |
|---|------------|
| - | 13 902 823 |
| - | - |
| - | 13 902 823 |

54.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 7.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 R | 2014 R |
|---|--------------------------|-----------------------|------------|
| 54. COMMITMENTS FOR EXPENDITURE (Continued) | | | |
| 54.3 Other Commitments | | | |
| The Municipality has entered into a contract with Nationwide Security for the provision of security services, which will end during the 2015 financial year. | | | |
| The Municipality has entered into a contract with SmartMetro for the development of a revenue enhancement strategy and the implementation thereof. No claims have been made by the contractor in respect to any savings made. | | | |
| The Municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings. To date no savings have been claimed and the Municipality does not have any outstanding commitment in respect to the contractor. | | | |
| The Municipality has entered into a contract with Fortogenic Solutions for the Provision of an Employee Wellness and Health Programme. At yearend, the remaining contract value amounted to R1 205 970 (2014: | | | |
| 55. FINANCIAL INSTRUMENTS | | | |
| 55.1 Classification | | | |
| FINANCIAL ASSETS: | | | |
| In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows: | | | |
| | <u>Financial Assets</u> | <u>Classification</u> | |
| Non-current Investments | | | |
| Listed Investments | Fair value | 25 639 | 21 088 |
| Long-term Receivables | | | |
| Other Loans | Amortised cost | 1 264 | 1 164 |
| Receivables from Exchange Transactions | | | |
| Electricity | Amortised cost | 9 805 926 | 10 218 377 |
| Refuse | Amortised cost | 3 525 772 | 3 068 820 |
| Sewerage | Amortised cost | 6 597 328 | 6 053 654 |
| Water | Amortised cost | 11 820 505 | 10 253 713 |
| Other Receivables | Amortised cost | 168 638 | 891 858 |
| Receivables from Non-exchange Transactions | | | |
| Assessment Rates Debtors | Amortised cost | 6 414 837 | 6 451 166 |
| Payments made in Advance | Amortised cost | - | 74 698 |
| Sundry Deposits | Amortised cost | 985 250 | 1 014 610 |
| Sundry Debtors | Amortised cost | 10 836 850 | 8 549 894 |
| Cash and Cash Equivalents | | | |
| Call Deposits | Amortised cost | 11 284 644 | 10 522 283 |
| Notice Deposits | Amortised cost | 901 386 | 772 511 |
| Bank Balances | Amortised cost | 95 714 | 915 409 |
| Cash Floats and Advances | Fair value | 2 800 | 1 400 |
| SUMMARY OF FINANCIAL ASSETS | | | |
| Financial Assets at Amortised Cost: | | | |
| Long-term Receivables | Other Loans | 1 264 | 1 164 |
| Receivables from Exchange Transactions | Electricity | 9 805 926 | 10 218 377 |
| Receivables from Exchange Transactions | Refuse | 3 525 772 | 3 068 820 |
| Receivables from Exchange Transactions | Sewerage | 6 597 328 | 6 053 654 |
| Receivables from Exchange Transactions | Water | 11 820 505 | 10 253 713 |
| Receivables from Exchange Transactions | Other Debtors | 168 638 | 891 858 |
| Receivables from Non-exchange Transactions | Assessment Rates Debtors | 6 414 837 | 6 451 166 |
| Receivables from Non-exchange Transactions | Payments made in Advance | - | 74 698 |
| Receivables from Non-exchange Transactions | Sundry Deposits | 985 250 | 1 014 610 |
| Receivables from Non-exchange Transactions | Sundry Debtors | 10 836 850 | 8 549 894 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 R | 2014 R |
|---|-------------------------------------|------------------------------|--------------------------|
| 55. FINANCIAL INSTRUMENTS (Continued) | | | |
| Cash and Cash Equivalents | Call Deposits | 11 284 644 | 10 522 283 |
| Cash and Cash Equivalents | Notice Deposits | 901 386 | 772 511 |
| Cash and Cash Equivalents | Bank Balances | 95 714 | 915 409 |
| | | <u>62 438 115</u> | <u>58 788 156</u> |
| Financial Assets at Fair Value: | | | |
| Non-current Investments | Listed Investments | 25 639 | 21 088 |
| Cash and Cash Equivalents | Cash Floats and Advances | 2 800 | 1 400 |
| | | <u>28 439</u> | <u>22 488</u> |
| Total Financial Assets | | <u>62 466 554</u> | <u>58 810 644</u> |
| FINANCIAL LIABILITIES: | | | |
| In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows: | | | |
| | <u>Financial Liabilities</u> | <u>Classification</u> | |
| Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 5 690 352 | 8 746 879 |
| Payables from Exchange Transactions | | | |
| Trade Creditors | Amortised cost | 1 965 844 | 1 015 073 |
| Payments Received in Advance | Amortised cost | 1 449 985 | 1 852 624 |
| Retentions | Amortised cost | 449 602 | 1 286 997 |
| Staff Bonuses | Amortised cost | 2 056 538 | 1 873 069 |
| Sundry Deposits | Amortised cost | 266 743 | 241 805 |
| Other Creditors | Amortised cost | 6 841 167 | 4 398 014 |
| Salary Control Account | Amortised cost | 600 859 | - |
| Accrued Leave | Amortised cost | 5 602 285 | 4 311 470 |
| Payables from Non-exchange Transactions | | | |
| Payments Received in Advance | Amortised cost | 1 609 422 | 1 416 698 |
| Bank Overdraft | | | |
| Bank Overdraft | Amortised cost | 13 564 441 | 11 977 403 |
| Current Portion of Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 2 478 337 | 2 757 975 |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Financial Liabilities at Amortised Cost: | | | |
| Long-term Liabilities | Annuity Loans | 5 690 352 | 8 746 879 |
| Payables from Exchange Transactions | Trade Creditors | 1 965 844 | 1 015 073 |
| Payables from Exchange Transactions | Payments Received in Advance | 1 449 985 | 1 852 624 |
| Payables from Exchange Transactions | Retentions | 449 602 | 1 286 997 |
| Payables from Exchange Transactions | Staff Bonuses | 2 056 538 | 1 873 069 |
| Payables from Exchange Transactions | Sundry Deposits | 266 743 | 241 805 |
| Payables from Exchange Transactions | Other Creditors | 6 841 167 | 4 398 014 |
| Payables from Exchange Transactions | Salary Control Account | 600 859 | - |
| Payables from Exchange Transactions | Accrued Leave | 5 602 285 | 4 311 470 |
| Payables from Non-exchange Transactions | Payments Received in Advance | 1 609 422 | 1 416 698 |
| Bank Overdraft | Bank Overdraft | 13 564 441 | 11 977 403 |
| Current Portion of Long-term Liabilities | Annuity Loans | 2 478 337 | 2 757 975 |
| | | <u>42 575 577</u> | <u>39 878 008</u> |
| Total Financial Liabilities | | <u>42 575 577</u> | <u>39 878 008</u> |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-----------|-----------|
| 55. FINANCIAL INSTRUMENTS (Continued) | | |
| 55.2 Fair Value | | |
| The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value: | | |
| Cash | | |
| The carrying amount approximates the Fair Value because of the short maturity of these instruments. | | |
| Long-term Investments | | |
| The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method. | | |
| Loan Receivables/Payables | | |
| Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. | | |
| Trade and Other Receivables/Payables | | |
| The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows. | | |
| The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors. | | |
| Other Financial Assets and Liabilities | | |
| The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for | | |
| 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 2015, as a result of the short-term maturity of these assets and liabilities. | | |
| No Financial Instruments of the Municipality have been reclassified during the year. | | |

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

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| 30 June 2015 | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|---------------|--------------|--------------|---------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| Listed Investments | 25 639 | - | - | 25 639 |
| Cash and Cash Equivalents | - | 2 800 | - | 2 800 |
| Total Financial Assets | 25 639 | 2 800 | - | 28 439 |
| Total Financial Instruments | 25 639 | 2 800 | - | 28 439 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|---------------|--------------|
| 55. FINANCIAL INSTRUMENTS (Continued) | | |
| 30 June 2014 | | |
| | Level 1 R | Level 2 R |
| | R | R |
| FINANCIAL ASSETS | | |
| Financial Instruments at Fair Value: | | |
| Listed Investments | 21 088 | - |
| Cash and Cash Equivalents | - | 1 400 |
| Total Financial Assets | 21 088 | 1 400 |
| Total Financial Instruments | 21 088 | 1 400 |

55.3 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

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

The gearing ratio at the year-end was as follows:

| | | |
|---------------------------------|------------------|------------------|
| Debt | 3 212 014 | 5 988 903 |
| Cash and Cash Equivalents | 1 282 697 | (232 800) |
| Net Debt | 4 494 711 | 5 756 104 |
| Equity | 909 542 620 | 958 633 391 |
| Net debt to equity ratio | 0,49% | 0,60% |

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

55.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

55.5 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

55. FINANCIAL INSTRUMENTS (Continued)

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.

Liquidity Risk

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | |
|-------------|-------------|
| 2015 | 2014 |
| R | R |

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

55.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

55.6.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

55.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 **2014**
R **R**

55. FINANCIAL INSTRUMENTS (Continued)

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2015 would have increased / decreased by RXX (2014: RXX). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

55.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are

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

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

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:

| | | |
|--|--------------------|--------------------|
| Fixed Deposit Investments | 25 639 | 21 088 |
| Long-term Receivables | 1 264 | 1 164 |
| Receivables from Exchange Transactions | 93 769 200 | 75 807 201 |
| Receivables from Non-exchange Transactions | 77 705 577 | 54 997 134 |
| Bank, Cash and Cash Equivalents | (1 282 697) | 232 800 |
| Maximum Credit and Interest Risk Exposure | 170 218 983 | 131 059 387 |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|---|--------------------|-------------------|
| 55. FINANCIAL INSTRUMENTS (Continued) | | |
| The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows: | | |
| | % | % |
| Consumer Debtors: | | |
| - Household | 81,58% | 78,71% |
| - Industrial / Commercial | 6,15% | 6,90% |
| - National and Provincial Government | 12,27% | 14,39% |
| - Other Classes | 0,00% | 0,00% |
| Total Credit Risk | 100,00% | 100,00% |
| Bank and Cash Balances | | |
| ABSA Bank Ltd | (2 186 903) | (585 527) |
| First National Bank | 2 474 | 2 582 |
| Nedbank | 892 471 | 730 274 |
| Standard Bank | 6 461 | 84 071 |
| Cash Equivalents | 2 800 | 1 400 |
| Total Bank and Cash Balances | (1 282 697) | 232 800 |
| 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 | 1 264 | 1 164 |
| Total Long-term Receivables | 1 264 | 1 164 |
| Receivables from Exchange Transactions | | |
| Counterparties without external credit rating:- | | |
| Group 1 | 3 916 652 | 4 386 769 |
| Group 2 | 28 001 518 | 26 099 652 |
| Group 3 | 61 851 031 | 45 320 781 |
| | 93 769 200 | 75 807 202 |
| Total Receivables from Exchange Transactions | 93 769 200 | 75 807 202 |
| Receivables from Non-exchange Transactions | | |
| Group 1 | 1 437 579 | 1 079 301 |
| Group 2 | 4 977 258 | 5 371 865 |
| Group 3 | 10 499 979 | 7 067 368 |
| Total Receivables from Non-exchange Transactions | 16 914 817 | 13 518 534 |
| 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 | | |
| 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 2015

55. FINANCIAL INSTRUMENTS (Continued)

55.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 51 is a listing of additional undrawn facilities that the Municipality has at its disposal to further

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 |
| 30 June 2015 | | | | | | | | |
| Non-interest Bearing | | | 20 842 446 | 20 842 446 | - | - | - | - |
| - Payables from Exchange transactions | 15 | 0,00% | 19 233 024 | 19 233 024 | - | - | - | - |
| - Payables from Non-exchange transactions | 16 | 0,00% | 1 609 422 | 1 609 422 | - | - | - | - |
| | | | - | | | | | |
| Variable Interest Rate Instruments | | | 16 466 852 | 14 725 405 | 1 160 964 | 580 482 | - | - |
| - Bank Overdraft | 5 | 9,50% | 13 564 441 | 13 564 441 | - | - | - | - |
| - ABSA Bank | 19 | 9,75% | 2 902 411 | 1 160 964 | 1 160 964 | 580 482 | - | - |
| Fixed Interest Rate Instruments | | | 2 319 573 | 486 124 | 486 124 | 972 248 | 375 077 | - |
| - DBSA | 19 | 10,00% | 444 188 | 111 047 | 111 047 | 222 094 | - | - |
| - DBSA | 19 | 12,00% | 1 875 385 | 375 077 | 375 077 | 750 154 | 375 077 | - |
| | | | 39 628 871 | 36 053 976 | 1 647 088 | 1 552 730 | 375 077 | - |

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | | | | | | | | |
|---------------------------------------|----|--------|-------------------|-------------------|------------------|------------------|------------------|---|---|
| 30 June 2014 | | | | | | | | | |
| Non-interest Bearing | | | 16 395 751 | 16 395 751 | - | - | - | - | - |
| - Payables from Exchange transactions | 15 | 0,00% | 14 979 053 | 14 979 053 | - | - | - | - | - |
| - Payables from Exchange transactions | 16 | 0,00% | 1 416 698 | 1 416 698 | - | - | - | - | - |
| Variable Interest Rate Instruments | | | 16 040 778 | 13 138 368 | 1 160 964 | 1 741 446 | - | - | - |
| - Bank Overdraft | 5 | 9,50% | 11 977 403 | 11 977 403 | - | - | - | - | - |
| - ABSA Bank | 19 | 9,50% | 4 063 375 | 1 160 964 | 1 160 964 | 1 741 446 | - | - | - |
| Fixed Interest Rate Instruments | | | 3 180 774 | 486 124 | 486 124 | 972 248 | 1 236 278 | - | - |
| - DBSA | 19 | 10,00% | 555 235 | 111 047 | 111 047 | 222 094 | 111 047 | - | - |
| - DBSA | 19 | 12,00% | 2 625 539 | 375 077 | 375 077 | 750 154 | 1 125 231 | - | - |
| | | | 35 617 303 | 30 020 243 | 1 647 088 | 2 713 694 | 1 236 278 | | - |

The Municipality has access to financing facilities, the total unused amount which is R1 000 000 (2014: R1 000 000), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of

55.9 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | |
|-------------|-------------|
| 2015 | 2015 |
| R | R |

56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of

The total expense recognised in the Statement of Financial Performance of R7 160 963 (2014: R6 460 521) 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 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100,2% and 105,1% (30 June 2012: 99,9% and 108,0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1 310,754 (30 June 2009: R1 357,463) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439,2 (30 June 2012: R8 753,4) million, with funding levels of 100,0% (30 June 2012: 100,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2015
R

57. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

57.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

| Name of Related Person | Designation | Description of Related Party Relationship |
|------------------------|-----------------------------------|--|
| Manuel MF | Director: Chief Financial Officer | Institute of Municipal Finance Officers (section 21 company) |

57.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

| | Rates Charges R | Service Charges R | Sundry Charges R | Total Charges R |
|--|-----------------------|-------------------------|------------------------|-----------------------|
| For the Year ended 30 June 2015 | | | | |
| Councillors | 38 049 | 80 223 | 10 045 | 128 317 |
| Municipal Manager and Section 57 Personnel | 25 661 | 45 850 | 9 433 | 80 944 |
| Total Services | 63 710 | 126 073 | 19 478 | 209 261 |
| For the Year ended 30 June 2014 | | | | |
| Councillors | 36 318 | 66 525 | 8 759 | 111 602 |
| Municipal Manager and Section 57 Personnel | 24 323 | 42 608 | 8 848 | 75 778 |
| Total Services | 60 640 | 109 133 | 17 607 | 187 380 |

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

57.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

57.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

57.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

58. CONTINGENT LIABILITIES

Landfill Sites

The Municipality has three active landfill sites. It has been identified that the landfill sites situated in Britstown and Hanover are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

In accordance with section 68(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.

The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2015 R |
|--|------------------|------------------|
| 58. CONTINGENT LIABILITIES (Continued) | | |
| Department of Safety and Liaison: Motor Registration Fees | 1 355 739 | 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 2014/2015 financial year of DSL. A complete report will be prepared after the investigation has been completed. The amount of R1 355 739 that the DSL claims that the Municipality owes them has therefore not yet been substantiated and the exact amount will only be determined once the investigation has been</p> | | |
| Telkom SA Limited | 35 568 | 35 568 |
| <p>The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. The Municipality is busy addressing this matter.</p> | | |
| Katy Sigonyela | 50 000 | - |
| <p>The Municipality is being sued by the abovementioned plaintiff for a erf paid for, but never transferred. The erf in question is Erf 405, Nonzwakazi. The Municipality is still investigating the matter.</p> | | |
| 59. CONTINGENT ASSETS | | |
| <p>The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.</p> | | |
| 60. IN-KIND DONATIONS AND ASSISTANCE | | |
| <p>The Municipality did not receive any In-kind Donations and Assistance during the year under review.</p> | | |
| 61. PRIVATE PUBLIC PARTNERSHIPS | | |
| <p>The Municipality was not a party to any Private Public Partnerships during the year under review.</p> | | |
| 62. EVENTS AFTER THE REPORTING DATE | | |
| <p>No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.</p> | | |
| 63. COMPARATIVE FIGURES | | |
| <p>The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 45) and Prior Period Errors (Note 46).</p> | | |
| 64. GOING CONCERN ASSESSMENT | | |
| <p>Management considered the following matters relating to the Going Concern:</p> <p>(i) On 31 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.</p> <p>(ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.</p> <p>(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.</p> <p>(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.</p> <p>Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.</p> | | |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance at 30 June 2014 | Received during the Period | Redeemed/ Written Off during Period | Balance at 30 June 2015 |
|-----------------------------|----------------------------|------------------|----------------|------------|----------------------------|----------------------------------|---|----------------------------|
| ANNUITY LOANS | R | | | | R | R | R | R |
| DBSA | 1 809 000 | 10,00% | 1150 563 | 2016-03-31 | 403 533 | - | (191 944) | 211 589 |
| DBSA | 4 981 693 | 12,00% | 1150 566 | 2017-03-31 | 1 899 134 | - | (560 979) | 1 338 155 |
| ABSA | 9 000 000 | 9,00% | 30 3336 7955 | 2016-03-31 | 3 686 237 | - | (2 023 967) | 1 662 271 |
| Total Annuity Loans | 15 790 693 | | | | 5 988 904 | - | (2 776 890) | 3 212 014 |
| TOTAL EXTERNAL LOANS | 15 790 693 | | | | 5 988 904 | - | (2 776 890) | 3 212 014 |

ANNUITY LOANS:

DBSA loan (1150 563):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R1 809 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R111 047.

DBSA loan (1150 566):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R4 981 693 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R375 077.

ABSA loan (30 3336 7955):

Structured secured 5 year loan for the purchase of vehicles. Original loan capital of R9 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest of R194 352.

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.

ANALYSIS OF PROPERTY, F

| Description | Cost / Re | |
|---|----------------------|-------------------|
| | Opening Balance | Additions |
| | R | R |
| Land and Buildings | | |
| Land | 16 162 521 | - |
| Building | 262 927 535 | - |
| | 279 090 056 | - |
| Infrastructure | | |
| <i>Electricity:</i> | | |
| Electricity Network | 192 564 395 | - |
| <i>Solid Waste</i> | | |
| Landfill Site | 12 460 011 | - |
| <i>Sanitation:</i> | | |
| Sewer | 103 032 039 | - |
| <i>Storm Water</i> | | |
| Storm Water Network | 408 547 621 | - |
| <i>Roads:</i> | | |
| Roads Network | 814 954 080 | - |
| <i>Water:</i> | | |
| Water Network | 328 868 056 | 13 832 615 |
| | 1 860 426 201 | 13 832 615 |
| Other Assets | | |
| <i>Computer Equipment</i> | | |
| COMPUTER HARDWARE | 2 654 194 | 122 214 |
| <i>Transport Assets</i> | | |
| BICYCLES | 2 400 | - |
| MOTOR VEHICLES | 4 128 419 | - |
| TRAILERS AND ACCESSORIES | 248 511 | - |
| TRUCKS | 5 226 420 | - |
| <i>Furniture and Office Equipment:</i> | | |
| ADVERTISING BOARDS | 3 342 202 | 4 956 |
| AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE | 428 888 | 14 750 |
| DOMESTIC AND HOSTEL FURNITURE | 64 841 | - |

ANALYSIS OF PROPERTY, F

| Description | Cost / Re | |
|---|----------------------|-------------------|
| | Opening Balance | Additions |
| | R | R |
| FIXTURES & FITTINGS | 511 919 | - |
| OFFICE EQUIPMENT INCLUDING FAX MACHINES | 837 493 | 29 658 |
| OFFICE FURNITURE | 3 447 710 | 50 066 |
| <i>Machinery and Equipment:</i> | | |
| AUDIOVISUAL EQUIPMENT | 271 889 | 1 430 |
| DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES) | 134 457 | 38 403 |
| ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPM | 296 510 | - |
| FIRE ARMS | 92 848 | - |
| FIRE FIGHTING EQUIPMENT | 71 790 | - |
| GARDENING EQUIPMENT | 163 780 | 8 496 |
| KITCHEN APPLIANCES | 151 439 | 526 |
| LABORATORY EQUIPMENT AGRICULTURAL | 9 300 | - |
| LABORATORY EQUIPMENT MEDICAL TESTING | 5 993 | - |
| MACHINES FOR TEXTILE PRODUCTION | 1 393 | - |
| MEDICAL AND ALLIED EQUIPMENT | 33 166 | - |
| METERS PREPAID | 27 855 | - |
| MUSIC INSTRUMENTS | 130 000 | - |
| PUMPS, PLUMBING, PURIFICATION, SANITATION | 620 898 | - |
| RADIO EQUIPMENT | 61 925 | 29 998 |
| ROAD CONSTRUCTION AND MAINTENANCE EQUIPME | 5 098 617 | - |
| SECURITY & ACCESS CONTROL UNITS | 129 179 | - |
| TELECOMMUNICATION EQUIPMENT | 534 894 | - |
| WORKSHOP EQUIPMENT AND LOOSE TOOLS FIXED | 79 907 | 2 895 |
| WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVAB | 1 355 243 | 36 432 |
| | 30 164 081 | 339 824 |
| Total | 2 169 680 337 | 14 172 439 |

ANALYSIS OF INVEST

| Description | Cost / Re | |
|----------------------------|------------------|-----------|
| | Opening Balance | Additions |
| | R | R |
| Investment Property | | |
| Land | 5 004 000 | |
| | 5 004 000 | |

EMTHANJE

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

| Description | Cost / Re | |
|-------------|-----------------|-----------|
| | Opening Balance | Additions |
| | R | R |

ANALYSIS OF HERITAGE ASSETS

| Description | Cost / Re | |
|----------------------------------|------------------|-----------|
| | Opening Balance | Additions |
| Heritage Assets | R | R |
| MUNICIPAL JEWELLERY | 849 200 | |
| OTHER ANTIQUES AND COLLECTIONS | 475 500 | |
| CULTURALLY SIGNIFICANT BUILDINGS | 5 634 573 | |
| | 6 959 273 | |
| | | |

ANALYSIS OF INTANGIBLE ASSETS

| Description | Cost / Re | |
|--------------------------|------------------|---------------|
| | Opening Balance | Additions |
| Intangible Assets | R | R |
| Computer Software | 1 977 579 | 21 879 |
| | 1 977 579 | 21 879 |
| | | |

Total Asset Register

| | |
|----------------------|-------------------|
| 2 183 621 189 | 14 194 318 |
|----------------------|-------------------|

ENI LOCAL MUNICIPALITY

APPENDIX B

PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairment | | |
|-----------|----------------------|---------------------------------------|-------------------|-----------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| - | 16 162 521 | - | - | - |
| - | 262 927 535 | 139 078 599 | 11 061 874 | - |
| - | 279 090 056 | 139 078 599 | 11 061 874 | - |
| - | 192 564 395 | 115 430 110 | 4 829 908 | - |
| - | 12 460 011 | 268 333 | 89 444 | - |
| - | 103 032 039 | 61 837 020 | 3 009 636 | - |
| - | 408 547 621 | 239 405 668 | 8 153 330 | - |
| - | 814 954 080 | 492 611 557 | 17 111 081 | - |
| - | 342 700 670 | 187 371 318 | 14 723 455 | - |
| - | 1 874 258 816 | 1 096 924 006 | 47 916 854 | - |
| (332 986) | 2 443 422 | 1 727 744 | 281 247 | (260 876) |
| - | 2 400 | 1 086 | 1 314 | - |
| - | 4 128 419 | 1 621 773 | 344 259 | - |
| - | 248 511 | 109 776 | 13 821 | - |
| - | 5 226 420 | 1 674 180 | 272 185 | - |
| (1 797) | 3 345 361 | 896 578 | 334 349 | (1 710) |
| (29 756) | 413 883 | 253 355 | 64 437 | (10 671) |
| (4 415) | 60 426 | 34 843 | 5 872 | (3 411) |

ENI LOCAL MUNICIPALITY

APPENDIX B

PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairn | | |
|--------------------|----------------------|------------------------------------|-------------------|--------------------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| (33 110) | 478 809 | 350 943 | 25 572 | (16 509) |
| (34 960) | 832 191 | 565 968 | 60 940 | (26 689) |
| (421 481) | 3 076 295 | 2 314 827 | 200 893 | (240 325) |
| (76 402) | 196 917 | 166 152 | 24 793 | (56 253) |
| (24 480) | 148 379 | 102 139 | 14 068 | (19 715) |
| - | 296 510 | 110 609 | 39 922 | - |
| (61 232) | 31 616 | 36 625 | (3 916) | (11 368) |
| (20 385) | 51 405 | 60 494 | 793 | (16 701) |
| (13 879) | 158 397 | 116 447 | 19 174 | (10 712) |
| (5 413) | 146 553 | 106 124 | 11 199 | (4 797) |
| - | 9 300 | 6 108 | 587 | - |
| - | 5 993 | 5 049 | 218 | - |
| - | 1 393 | 752 | 125 | - |
| (5 800) | 27 366 | 19 940 | 2 640 | (4 350) |
| (5 264) | 22 591 | 21 616 | 1 606 | (4 575) |
| - | 130 000 | 70 200 | 11 700 | - |
| (577 730) | 43 168 | 435 020 | 36 110 | (436 770) |
| (2 279) | 89 644 | 37 522 | 10 574 | (1 688) |
| (46 800) | 5 051 817 | 1 761 462 | 450 635 | (20 496) |
| - | 129 179 | 43 186 | 11 349 | - |
| (6 000) | 528 894 | 458 718 | 8 836 | (986) |
| - | 82 802 | 53 235 | 5 806 | - |
| (490 497) | 901 178 | 890 153 | 70 446 | (301 839) |
| (2 194 666) | 28 309 239 | 14 052 625 | 2 321 555 | (1 450 439) |
| | | | | |
| (2 194 666) | 2 181 658 110 | 1 250 055 230 | 61 300 282 | (1 450 439) |
| | | | | |

MENT PROPERTY AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairn | | |
|-----------|------------------|------------------------------------|-----------|-----------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| | 5 004 000 | | | |
| | 5 004 000 | | | |

ENI LOCAL MUNICIPALITY

APPENDIX B

PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairn | | |
|-----------|-----------------|------------------------------------|-----------|-----------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| | | | | |

HERITAGE AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairn | | |
|-----------|------------------|------------------------------------|-----------|-----------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| | 849 200 | | | |
| | 475 500 | | | |
| | 5 634 573 | | | |
| | 6 959 273 | | | |
| | | | | |

NGIBLE ASSETS AS AT 30 JUNE 2015

| valuation | | Accumulated Depreciation / Impairn | | |
|-----------|------------------|------------------------------------|----------------|-----------|
| Disposals | Closing Balance | Opening Balance | Additions | Disposals |
| R | R | R | R | R |
| - | 1 999 458 | 1 593 787 | 170 277 | - |
| - | 1 999 458 | 1 593 787 | 170 277 | - |
| | | | | |

| | | | | |
|-------------|---------------|---------------|------------|-------------|
| (2 194 666) | 2 195 620 841 | 1 251 649 017 | 61 470 560 | (1 450 439) |
|-------------|---------------|---------------|------------|-------------|

| ment | Carrying |
|----------------------|--------------------|
| Closing Balance | Value |
| R | R |
| - | 16 162 521 |
| 150 140 473 | 112 787 063 |
| 150 140 473 | 128 949 584 |
| 120 260 018 | 72 304 377 |
| 357 777 | 12 102 233 |
| 64 846 656 | 38 185 383 |
| 247 558 997 | 160 988 623 |
| 509 722 638 | 305 231 442 |
| 202 094 772 | 140 605 898 |
| 1 144 840 859 | 729 417 956 |
| 1 748 114 | 695 308 |
| 2 400 | - |
| 1 966 032 | 2 162 387 |
| 123 597 | 124 914 |
| 1 946 365 | 3 280 055 |
| 1 229 216 | 2 116 144 |
| 307 122 | 106 761 |
| 37 304 | 23 122 |

| ment | Carrying |
|----------------------|--------------------|
| Closing Balance | Value |
| R | R |
| 360 007 | 118 802 |
| 600 219 | 231 972 |
| 2 275 395 | 800 899 |
| 134 693 | 62 224 |
| 96 492 | 51 887 |
| 150 530 | 145 980 |
| 21 341 | 10 275 |
| 44 586 | 6 819 |
| 124 909 | 33 487 |
| 112 526 | 34 026 |
| 6 696 | 2 604 |
| 5 267 | 726 |
| 878 | 515 |
| 18 230 | 9 136 |
| 18 646 | 3 945 |
| 81 900 | 48 100 |
| 34 360 | 8 808 |
| 46 409 | 43 236 |
| 2 191 602 | 2 860 215 |
| 54 535 | 74 644 |
| 466 568 | 62 326 |
| 59 041 | 23 761 |
| 658 760 | 242 418 |
| 14 923 741 | 13 385 498 |
| | |
| 1 309 905 073 | 871 753 038 |
| | |

| ment | Carrying |
|--------------------|------------------|
| Closing Balance | Value |
| R | R |
| | 5 004 000 |
| | 5 004 000 |

| ment | Carrying |
|--------------------|----------|
| Closing Balance | Value |
| R | R |

| ment | Carrying |
|--------------------|------------------|
| Closing Balance | Value |
| R | R |
| | 849 200 |
| | 475 500 |
| | 5 634 573 |
| | 6 959 273 |
| | |

| ment | Carrying |
|--------------------|----------------|
| Closing Balance | Value |
| R | R |
| 1 764 065 | 235 393 |
| 1 764 065 | 235 393 |
| | |

| | |
|----------------------|--------------------|
| 1 311 669 137 | 883 951 704 |
|----------------------|--------------------|

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EMTHANJENI L
API
SEGMENTAL ANALYSIS OF CA

| Description | Cost / Revaluation | | |
|-------------------------------|----------------------|-------------------|--------------------|
| | Opening Balance | Additions | Disposals |
| | R | R | R |
| Executive and Council | 1 634 914 | 9 299 | (116 322) |
| Finance and Administration | 5 187 929 | 173 655 | (326 892) |
| Planning and Development | 300 944 871 | - | - |
| Community and Social Services | 5 298 044 | 133 979 | (398 255) |
| Housing | 16 634 342 | 44 770 | (1 255 035) |
| Roads and Transport | 395 228 749 | - | (98 161) |
| Electricity | 1 023 922 289 | - | - |
| Waste Management | 105 715 370 | - | - |
| Water | 329 054 681 | 13 832 615 | - |
| Total | 2 183 621 189 | 14 194 318 | (2 194 665) |

OCAL MUNICIPALITY
PENDIX C
APITAL ASSETS AS AT 30 JUNE 2015

| | Accumulated Depreciation / Impairment | | | |
|----------------------|---------------------------------------|-------------------|--------------------|----------------------|
| Closing Balance | Opening Balance | Additions | Disposals | Closing Balance |
| R | R | R | R | R |
| 1 527 891 | 677 603 | 227 506 | (44 009) | 861 099 |
| 5 034 692 | 3 364 984 | 549 294 | (240 372) | 3 673 906 |
| 300 944 871 | 139 078 599 | 11 061 874 | - | 150 140 473 |
| 5 033 767 | 3 470 657 | 334 395 | (231 786) | 3 573 266 |
| 15 424 077 | 6 823 558 | 1 117 992 | (857 060) | 7 084 489 |
| 395 130 588 | 240 399 894 | 8 100 590 | (77 212) | 248 423 272 |
| 1 023 922 289 | 608 352 386 | 22 251 709 | - | 630 604 095 |
| 105 715 370 | 62 105 353 | 3 099 080 | - | 65 204 434 |
| 342 887 296 | 187 375 983 | 14 728 120 | - | 202 104 104 |
| 2 195 620 841 | 1 251 649 017 | 61 470 560 | (1 450 439) | 1 311 669 138 |

| Carrying Value |
|--------------------|
| R |
| 666 792 |
| 1 360 786 |
| 150 804 399 |
| 1 460 501 |
| 8 339 588 |
| 146 707 316 |
| 393 318 194 |
| 40 510 936 |
| 140 783 192 |
| 883 951 703 |

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| 2014 Actual Income | 2014 Actual Expenditure | 2014 Surplus/ (Deficit) | Description | 2015 Actual Income | 2015 Actual Expenditure | 2015 Surplus/ (Deficit) |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------|-------------------------------|-------------------------------|
| R | R | R | | R | R | R |
| 5 435 955 | (15 290 139) | (9 854 184) | Executive and Council | 4 792 454 | (15 419 900) | (10 627 446) |
| 38 130 874 | (29 394 777) | 8 736 097 | Finance and Administration | 37 474 058 | (28 265 369) | 9 208 688 |
| 1 234 627 | (18 449 763) | (17 215 136) | Planning and Development | 897 011 | (19 447 097) | (18 550 086) |
| - | (74 729) | (74 729) | Health | - | (7 121) | (7 121) |
| 4 300 440 | (30 536 169) | (26 235 729) | Community and Social Services | 1 515 737 | (25 063 365) | (23 547 628) |
| 1 030 963 | (4 630 122) | (3 599 159) | Housing | 677 719 | (4 452 101) | (3 774 382) |
| 21 037 314 | (6 770 517) | 14 266 797 | Public Safety | 23 179 659 | (8 026 490) | 15 153 169 |
| 145 443 | (3 341 147) | (3 195 704) | Sport and Recreation | 112 445 | (4 141 591) | (4 029 146) |
| - | - | - | Environmental Protection | - | - | - |
| 29 854 516 | (28 977 635) | 876 882 | Waste Management | 43 653 254 | (30 080 081) | 13 573 173 |
| 9 190 564 | (15 637 285) | (6 446 721) | Roads and Transport | 10 147 287 | (18 971 744) | (8 824 457) |
| 25 603 450 | (32 709 812) | (7 106 363) | Water | 27 325 462 | (30 122 894) | (2 797 432) |
| 60 589 837 | (79 654 853) | (19 065 016) | Electricity | 67 029 700 | (80 275 166) | (13 245 466) |
| - | (1 621 366) | (1 621 366) | Other | - | (1 622 637) | (1 622 637) |
| 196 553 984 | (267 088 313) | (70 534 329) | Sub-Total | 216 804 785 | (265 895 556) | (49 090 771) |
| | | | Revenue Foregone | | | |
| 196 553 984 | (267 088 313) | (70 534 329) | Total | 216 804 785 | (265 895 556) | (49 090 771) |
| | | | | | | |

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015

| Description | 2015 | | | | | | | | | | 2014 | | | | |
|---|-----------------------------|-----------------------|--------------------------------|-------------------------|----------|--------------------|--------------------|-----------------------------|----------------------|---|--|---|---|-------------------------------|--------------------------------|
| | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported Unauthorised Expenditure | Expenditure authorised I.o. Sect 32 | Balance to be Recovered | Restated Audited Outcome |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| REVENUE - STANDARD | | | | | | | | | | | | | | | |
| Governance and Administration: | | | | | | | | | | | | | | | |
| Executive and Council | 3 238 000 | - | 3 238 000 | - | - | 6 476 000 | 4 792 454 | - | (1 683 546) | (26,00%) | (51,99%) | - | - | - | 5 435 955 |
| Finance and Administration | 39 310 000 | - | 39 310 000 | - | - | 78 620 000 | 37 474 058 | - | (41 145 942) | (52,34%) | (104,67%) | - | - | - | 38 130 874 |
| Community and Public Safety: | | | | | | | | | | | | | | | |
| Community and Social Services | 1 410 000 | - | 1 410 000 | - | - | 2 820 000 | 1 515 737 | - | (1 304 263) | (46,25%) | (92,50%) | - | - | - | 4 300 440 |
| Sport and Recreation | 102 000 | - | 102 000 | - | - | 204 000 | 112 445 | - | (91 555) | (44,88%) | (89,76%) | - | - | - | 145 443 |
| Public Safety | 7 196 000 | - | 7 196 000 | - | - | 14 392 000 | 23 179 659 | - | 8 787 659 | 61,06% | 122,12% | - | - | - | 21 037 314 |
| Housing | 36 000 | - | 36 000 | - | - | 72 000 | 677 719 | - | 605 719 | 841,28% | 1682,55% | - | - | - | 1 030 963 |
| Economic and Environmental Services: | | | | | | | | | | | | | | | |
| Planning and Development | 1 800 000 | - | 1 800 000 | - | - | 3 600 000 | 897 011 | - | (2 702 989) | (75,08%) | (150,17%) | - | - | - | 1 234 627 |
| Road Transport | 12 894 000 | - | 12 894 000 | - | - | 25 788 000 | 10 147 287 | - | (15 640 713) | (60,65%) | (121,30%) | - | - | - | 9 190 564 |
| Trading Services: | | | | | | | | | | | | | | | |
| Electricity | 75 900 000 | (4 550 000) | 71 350 000 | - | - | 142 700 000 | 67 029 700 | - | (75 670 300) | (53,03%) | (89,70%) | - | - | - | 60 589 837 |
| Water | 45 981 000 | (17 340 000) | 28 641 000 | - | - | 57 242 000 | 27 325 462 | - | (29 916 538) | (52,28%) | (65,09%) | - | - | - | 25 903 450 |
| Waste Management | 41 594 000 | (4 950 000) | 36 644 000 | - | - | 73 288 000 | 43 653 254 | - | (29 634 746) | (40,44%) | (71,25%) | - | - | - | 29 854 516 |
| Other: | | | | | | | | | | | | | | | |
| Other | - | - | - | - | - | - | - | - | - | 0,00% | 0,00% | - | - | - | - |
| Total Revenue - Standard | 229 441 000 | (26 840 000) | 202 601 000 | - | - | 405 202 000 | 216 804 785 | - | (188 397 215) | ***** | (82,11%) | - | - | - | 196 553 984 |

| | | | | | | | | | | | | | | |
|---|--------------------|---------------------|--------------------|----------|----------|--------------------|---------------------|---------------------|----------------------|--------------|------------------|---------------------|----------|---------------------|
| EXPENDITURE - STANDARD | | | | | | | | | | | | | | |
| Governance and Administration: | | | | | | | | | | | | | | |
| Executive and Council | 12 679 000 | 218 000 | 12 897 000 | - | - | 25 794 000 | 15 419 900 | 2 522 900 | (10 374 100) | (40.22)% | (81.82)% | 3 186 638 | - | 3 186 638 |
| Budget and Treasury Office | 30 824 000 | (211 000) | 30 613 000 | - | - | 61 226 000 | 28 265 369 | - | (32 960 631) | (53.83)% | (106.93)% | 2 094 284 | - | 2 094 284 |
| | | | | | | | | | | | | | | 15 290 139 |
| | | | | | | | | | | | | | | 29 394 777 |
| Community and Public Safety: | | | | | | | | | | | | | | |
| Community and Social Services | 10 559 000 | (313 000) | 10 246 000 | - | - | 20 492 000 | 25 063 365 | 10 002 399 | 4 571 365 | 22.31% | 43.29% | 10 529 851 | - | 10 529 851 |
| Sport and Recreation | 3 948 000 | 436 000 | 4 384 000 | - | - | 8 768 000 | 4 141 591 | - | (4 626 409) | (52.76)% | (117.18)% | - | - | 3 341 147 |
| Public Safety | 9 018 000 | 40 000 | 9 058 000 | - | - | 18 116 000 | 8 026 490 | - | (10 089 510) | (55.69)% | (111.88)% | - | - | 6 770 517 |
| Housing | 2 069 000 | 40 000 | 2 109 000 | - | - | 4 218 000 | 4 452 101 | 2 343 101 | 234 101 | 5.55% | 11.31% | 2 534 451 | - | 2 534 451 |
| Health | 169 000 | - | 169 000 | - | - | 338 000 | 7 121 | - | (330 879) | (97.89)% | (195.79)% | - | - | 4 630 122 |
| | | | | | | | | | | | | | | 74 729 |
| Economic and Environmental Services: | | | | | | | | | | | | | | |
| Planning and Development | 9 647 000 | 105 000 | 9 752 000 | - | - | 19 504 000 | 19 447 097 | 9 695 097 | (56 903) | (0.29)% | (0.59)% | 8 645 803 | - | 8 645 803 |
| Road Transport | 15 034 000 | - | 15 034 000 | - | - | 30 068 000 | 18 971 744 | 3 937 744 | (11 096 256) | (36.90)% | (73.81)% | 6 623 486 | - | 6 623 486 |
| | | | | | | | | | | | | | | 18 449 763 |
| | | | | | | | | | | | | | | 15 637 285 |
| Trading Services: | | | | | | | | | | | | | | |
| Electricity | 64 771 000 | (2 815 000) | 61 956 000 | - | - | 123 912 000 | 80 275 166 | 19 073 535 | (43 636 834) | (35.22)% | (67.37)% | 27 463 757 | - | 27 463 757 |
| Water | 14 979 000 | 2 112 000 | 17 091 000 | - | - | 34 182 000 | 30 122 894 | 13 031 760 | (4 059 106) | (11.87)% | (27.10)% | 23 832 823 | - | 23 832 823 |
| Waste Management | 27 061 000 | 725 000 | 27 786 000 | - | - | 55 572 000 | 30 080 081 | 3 798 312 | (25 491 919) | (45.87)% | (94.20)% | 10 824 142 | - | 10 824 142 |
| | | | | | | | | | | | | | | 28 977 635 |
| Other: | | | | | | | | | | | | | | |
| Other | 907 000 | - | 907 000 | - | - | 1 814 000 | 1 622 637 | 715 637 | (191 363) | (10.55)% | (21.10)% | - | - | 1 621 366 |
| | | | | | | | | | | | | | | |
| Total Expenditure - Standard | 201 665 000 | 337 000 | 202 002 000 | - | - | 404 004 000 | 265 895 556 | 65 120 484 | (138 108 444) | ##### | (68.48)% | 95 735 235 | - | 95 735 235 |
| | | | | | | | | | | | | | | 267 088 313 |
| Surplus/(Deficit) for the year | 27 776 000 | (27 177 000) | 599 000 | - | - | 1 198 000 | (49 090 771) | (65 120 484) | (50 288 771) | ##### | (181.05)% | (95 735 235) | - | (95 735 235) |
| | | | | | | | | | | | | | | (70 534 329) |

RECONCILIATION OF BUDGET

| Description | Original | Budget | Final |
|--|--------------------|---------------------|-----------------------|
| | Total Budget | Adjustments | Adjustments Budget |
| | R | R | R |
| REVENUE BY VOTE | | | |
| Vote 1 - Executive and Council | 3 238 000 | - | 3 238 000 |
| Vote 2 - Finance and Administration | 39 310 000 | - | 39 310 000 |
| Vote 3 - Planning and Development | 1 800 000 | - | 1 800 000 |
| Vote 4 - Health | - | - | - |
| Vote 5 - Community and Social Services | 1 410 000 | - | 1 410 000 |
| Vote 6 - Public Safety | 7 196 000 | - | 7 196 000 |
| Vote 7 - Sports and Recreation | 102 000 | - | 102 000 |
| Vote 8 - Road Transport | 12 894 000 | - | 12 894 000 |
| Vote 9 - Other | - | - | - |
| Vote 10 - Housing Services | 36 000 | - | 36 000 |
| Vote 11 - Waste Management | 15 612 000 | (1 770 000) | 13 842 000 |
| Vote 12 - Waste Water Management | 25 982 000 | (3 180 000) | 22 802 000 |
| Vote 13 - Electricity | 75 900 000 | (4 550 000) | 71 350 000 |
| Vote 14 - Water | 45 961 000 | (17 340 000) | 28 621 000 |
| Total Revenue by Vote | 229 441 000 | (26 840 000) | 202 601 000 |
| EXPENDITURE BY VOTE | | | |
| Vote 1 - Executive and Council | 12 679 000 | 218 000 | 12 897 000 |
| Vote 2 - Finance and Administration | 30 824 000 | (211 000) | 30 613 000 |
| Vote 3 - Planning and Development | 9 647 000 | 105 000 | 9 752 000 |
| Vote 4 - Health | 169 000 | - | 169 000 |
| Vote 5 - Community and Social Services | 10 559 000 | (313 000) | 10 246 000 |
| Vote 6 - Public Safety | 9 018 000 | 40 000 | 9 058 000 |
| Vote 7 - Sports and Recreation | 3 948 000 | 436 000 | 4 384 000 |
| Vote 8 - Road Transport | 15 034 000 | - | 15 034 000 |
| Vote 9 - Other | 907 000 | - | 907 000 |
| Vote 10 - Housing Services | 2 069 000 | 40 000 | 2 109 000 |
| Vote 11 - Waste Management | 15 163 000 | - | 15 163 000 |
| Vote 12 - Waste Water Management | 12 623 000 | - | 12 623 000 |
| Vote 13 - Electricity | 64 771 000 | (2 815 000) | 61 956 000 |
| Vote 14 - Water | 14 979 000 | 2 112 000 | 17 091 000 |
| Total Expenditure by Vote | 202 390 000 | (388 000) | 202 002 000 |
| Surplus/(Deficit) for the year | 27 051 000 | (26 452 000) | 599 000 |

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2)

SETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015

| 2015 | | | | | | | | 2014 | | | |
|-------------------|----------|--------------------|---------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---------------------------------------|-------------------------|--------------------------|
| Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported Unauthorised Expenditure | Expenditure authorised i.t.o. Sect 32 | Balance to be Recovered | Restated Audited Outcome |
| R | R | R | R | R | R | R | R | R | R | R | R |
| - | - | 3 238 000 | 4 792 454 | - | 1 554 454 | 48,01% | 48,01% | - | - | - | 5 435 955 |
| - | - | 39 310 000 | 37 474 058 | - | (1 835 942) | (4,67)% | (4,67)% | - | - | - | 38 130 874 |
| - | - | 1 800 000 | 897 011 | - | (902 989) | (50,17)% | (50,17)% | - | - | - | 1 234 627 |
| - | - | - | - | - | - | 0,00% | 0,00% | - | - | - | - |
| - | - | 1 410 000 | 1 515 737 | - | 105 737 | 7,50% | 7,50% | - | - | - | 4 300 440 |
| - | - | 7 196 000 | 23 179 659 | - | 15 983 659 | 222,12% | 222,12% | - | - | - | 21 037 314 |
| - | - | 102 000 | 112 445 | - | 10 445 | 10,24% | 10,24% | - | - | - | 145 443 |
| - | - | 12 894 000 | 10 147 287 | - | (2 746 713) | (21,30)% | (21,30)% | - | - | - | 9 190 564 |
| - | - | - | - | - | - | 0,00% | 0,00% | - | - | - | - |
| - | - | 36 000 | 677 719 | - | 641 719 | 1782,55% | 1782,55% | - | - | - | 1 030 963 |
| - | - | 13 842 000 | 43 653 254 | - | 29 811 254 | 215,37% | 190,95% | - | - | - | 29 854 516 |
| - | - | 22 802 000 | - | - | (22 802 000) | (100,00)% | (87,76)% | - | - | - | - |
| - | - | 71 350 000 | 67 029 700 | - | (4 320 300) | (6,06)% | (5,69)% | - | - | - | 60 589 837 |
| - | - | 28 621 000 | 27 325 462 | - | (1 295 538) | (4,53)% | (2,82)% | - | - | - | 25 603 450 |
| - | - | 202 601 000 | 216 804 785 | - | 14 203 785 | 6,55% | 6,19% | - | - | - | 196 553 984 |
| - | - | 12 897 000 | 15 419 900 | 2 522 900 | 2 522 900 | 19,56% | 19,90% | 3 186 638 | - | - | 15 290 139 |
| - | - | 30 613 000 | 28 265 369 | - | (2 347 631) | (7,67)% | (7,62)% | 2 094 284 | - | - | 29 394 777 |
| - | - | 9 752 000 | 19 447 097 | 9 695 097 | 9 695 097 | 99,42% | 100,50% | 8 645 803 | - | - | 18 449 763 |
| - | - | 169 000 | 7 121 | - | (161 879) | (95,79)% | (95,79)% | - | - | - | 74 729 |
| - | - | 10 246 000 | 25 063 365 | 10 002 399 | 14 817 365 | 144,62% | 140,33% | 10 529 851 | - | - | 30 536 169 |
| - | - | 9 058 000 | 8 026 490 | - | (1 031 510) | (11,39)% | (11,44)% | - | - | - | 6 770 517 |
| - | - | 4 384 000 | 4 141 591 | - | (242 409) | (5,53)% | (6,14)% | - | - | - | 3 341 147 |
| - | - | 15 034 000 | 18 971 744 | 3 937 744 | 3 937 744 | 26,19% | 26,19% | 6 623 486 | - | - | 15 637 285 |
| - | - | 907 000 | 1 622 637 | 715 637 | 715 637 | 78,90% | 78,90% | - | - | - | 1 621 366 |
| - | - | 2 109 000 | 4 452 101 | 2 343 101 | 2 343 101 | 111,10% | 113,25% | 2 534 451 | - | - | 4 630 122 |
| - | - | 15 163 000 | 30 080 081 | - | 14 917 081 | 98,38% | 98,38% | 10 824 142 | - | - | 28 977 635 |
| - | - | 12 623 000 | - | - | (12 623 000) | (100,00)% | (100,00)% | - | - | - | - |
| - | - | 61 956 000 | 80 275 166 | 19 073 535 | 18 319 166 | 29,57% | 28,28% | 27 463 757 | - | - | 79 654 853 |
| - | - | 17 091 000 | 30 122 894 | 13 031 760 | 13 031 894 | 76,25% | 87,00% | 23 832 823 | - | - | 32 709 812 |
| - | - | 202 002 000 | 265 895 556 | 61 322 172 | 63 893 556 | 24,03% | 31,57% | 95 735 235 | - | - | 267 088 313 |
| - | - | 599 000 | (49 090 771) | (61 322 172) | (49 689 771) | 101,22% | (183,69)% | (95 735 235) | - | - | (70 534 329) |

RECONCILIATION

| Description | Original | Budget | Final |
|---|--------------------|---------------------|-----------------------|
| | Total Budget | Adjustments | Adjustments Budget |
| | R | R | R |
| Revenue by Source | | | |
| Property Rates | 23 785 000 | - | 23 785 000 |
| Property Rates - Penalties & Collection Charges | - | - | - |
| Service Charges - Electricity | 53 614 000 | (3 500 000) | 50 114 000 |
| Service Charges - Water | 24 575 000 | (800 000) | 23 775 000 |
| Service Charges - Sanitation | 13 906 000 | - | 13 906 000 |
| Service Charges - Refuse | 8 347 000 | - | 8 347 000 |
| Service Charges - Other | 69 000 | 153 000 | 222 000 |
| Rental of Facilities and Equipment | 755 000 | (152 000) | 603 000 |
| Interest Earned - External Investments | 940 000 | - | 940 000 |
| Interest Earned - Outstanding Debtors | 819 000 | - | 819 000 |
| Fines | 6 624 000 | - | 6 624 000 |
| Licences and Permits | 1 874 000 | - | 1 874 000 |
| Transfers Recognised - Operational | 39 633 000 | - | 39 633 000 |
| Other Revenue | 25 131 000 | (6 000 000) | 19 131 000 |
| Gains on Other Operations | - | - | - |
| Gains on Disposal of PPE | 120 000 | - | 120 000 |
| Profit on Sale of Land | - | - | - |
| Total Revenue | 200 192 000 | (10 299 000) | 189 893 000 |
| Expenditure | | | |
| Employee Related Costs | 62 980 000 | (15 000) | 62 965 000 |
| Remuneration of Councillors | 4 308 000 | (47 000) | 4 261 000 |
| Collection Costs | - | - | - |
| Depreciation and Amortisation | 8 681 000 | - | 8 681 000 |
| Impairment Losses | 10 827 000 | (324 000) | 10 503 000 |
| Repairs and Maintenance | 8 350 000 | - | 8 350 000 |
| Finance Costs | 1 700 000 | 830 000 | 2 530 000 |
| Bulk Purchases | 47 529 000 | - | 47 529 000 |
| Contracted Services | 8 830 000 | (592 000) | 8 238 000 |
| Grants and Subsidies Paid | 13 669 000 | - | 13 669 000 |
| General Expenses | 34 793 000 | 485 000 | 35 278 000 |
| Loss on Disposal of Property, Plant and Equipment | - | - | - |
| Inventory Written-off | - | - | - |
| Loss on Sale of Land | - | - | - |
| Total Expenditure | 201 667 000 | 337 000 | 202 004 000 |
| Surplus/(Deficit) | (1 475 000) | (10 636 000) | (12 111 000) |
| Transfers Recognised - Capital | 29 248 000 | (16 540 000) | 12 708 000 |
| Surplus/(Deficit) for the Year | 27 773 000 | (27 176 000) | 597 000 |

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(3)

ON OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| 2015 | | | | | | | | 2014 | | | |
|-------------------|----------|--------------------|---------------------|--------------------------|---------------------|-------------------------------------|--|-----------------------------------|---------------------------------------|-------------------------|--------------------------|
| Shifting of Funds | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported Unauthorised Expenditure | Expenditure authorised i.t.o. Sect 32 | Balance to be Recovered | Restated Audited Outcome |
| R | R | R | R | R | R | R | R | R | R | R | R |
| - | - | 23 785 000 | 21 905 068 | - | (1 879 932) | (7,90)% | (7,90)% | - | - | - | 21 035 469 |
| - | - | - | 170 342 | - | 170 342 | 100,00% | 100,00% | - | - | - | 149 924 |
| - | - | 50 114 000 | 59 934 848 | - | 9 820 848 | 19,60% | 18,32% | - | - | - | 56 487 600 |
| - | - | 23 775 000 | 20 888 046 | - | (2 886 954) | (12,14)% | (11,75)% | - | - | - | 18 745 519 |
| - | - | 13 906 000 | 10 668 235 | - | (3 237 765) | (23,28)% | (23,28)% | - | - | - | 10 301 577 |
| - | - | 8 347 000 | 5 822 484 | - | (2 524 516) | (30,24)% | (30,24)% | - | - | - | 5 705 360 |
| - | - | 222 000 | 427 195 | - | 205 195 | 92,43% | 297,38% | - | - | - | 414 759 |
| - | - | 603 000 | 1 188 905 | - | 585 905 | 97,16% | 77,60% | - | - | - | 747 144 |
| - | - | 940 000 | 950 399 | - | 10 399 | 1,11% | 1,11% | - | - | - | 1 030 475 |
| - | - | 819 000 | 645 761 | - | (173 239) | (21,15)% | (21,15)% | - | - | - | 625 352 |
| - | - | 6 624 000 | 23 010 886 | - | 16 386 886 | 247,39% | 247,39% | - | - | - | 17 764 513 |
| - | - | 1 874 000 | 1 256 930 | - | (617 070) | (32,93)% | (32,93)% | - | - | - | 1 304 582 |
| - | - | 39 633 000 | 39 770 004 | - | 137 004 | 0,35% | 0,35% | - | - | - | 39 023 543 |
| - | - | 19 131 000 | 7 251 038 | - | (11 879 962) | (62,10)% | (47,27)% | - | - | - | 3 216 902 |
| - | - | - | 4 551 | - | 4 551 | 100,00% | 100,00% | - | - | - | 7 108 |
| - | - | 120 000 | - | - | (120 000) | (100,00)% | (100,00)% | - | - | - | 164 092 |
| - | - | - | 978 624 | - | 978 624 | 0,00% | 0,00% | - | - | - | - |
| - | - | 189 893 000 | 194 873 316 | - | 4 980 316 | 2,56% | 2,49% | - | - | - | 176 723 921 |
| - | - | 62 965 000 | 66 864 269 | - | 3 899 269 | 6,19% | 6,19% | - | - | - | 59 893 633 |
| - | - | 4 261 000 | 4 126 459 | - | (134 541) | (3,16)% | (3,12)% | - | - | - | 4 157 184 |
| - | - | - | 283 077 | - | 283 077 | 100,00% | 100,00% | - | - | - | - |
| - | - | 8 681 000 | 61 385 742 | - | 52 704 742 | 607,13% | 607,13% | - | - | - | 65 213 569 |
| - | - | 10 503 000 | 35 712 096 | - | 25 209 096 | 240,02% | 232,84% | - | - | - | 53 282 721 |
| - | - | 8 350 000 | 11 214 814 | - | 2 864 814 | 34,31% | 34,31% | - | - | - | 11 610 873 |
| - | - | 2 530 000 | 1 336 550 | - | (1 193 450) | (47,17)% | (70,20)% | - | - | - | 1 607 928 |
| - | - | 47 529 000 | 47 048 655 | - | (480 345) | (1,01)% | (1,01)% | - | - | - | 43 535 580 |
| - | - | 8 238 000 | 7 799 898 | - | (438 102) | (5,32)% | (4,96)% | - | - | - | 7 227 685 |
| - | - | 13 669 000 | 225 467 | - | (13 443 534) | (98,35)% | (98,35)% | - | - | - | 750 004 |
| - | - | 35 278 000 | 21 696 085 | - | (13 581 915) | (38,50)% | (39,04)% | - | - | - | 19 672 718 |
| - | - | - | 744 226 | 744 226 | 744 226 | 0,00% | 0,00% | - | - | - | - |
| - | - | - | - | - | - | 0,00% | 0,00% | - | - | - | 66 661 |
| - | - | - | - | - | - | 0,00% | 0,00% | - | - | - | 69 756 |
| - | - | 202 004 000 | 258 437 338 | 744 226 | 56 433 338 | 21,84% | 27,98% | - | - | - | 267 088 313 |
| - | - | (12 111 000) | (63 564 021) | (744 226) | (51 453 021) | 424,85% | 3488,34% | - | - | - | (90 364 392) |
| - | - | 12 708 000 | 14 473 251 | - | 1 765 251 | 13,89% | 6,04% | - | - | - | 19 830 063 |
| - | - | 597 000 | (49 090 771) | (744 226) | (49 687 771) | 101,22% | (178,91)% | - | - | - | (70 534 329) |
| | | | | | | | | | | | |

RECONCILIATION

| Description | Original Total Budget | Budget Adjustments | Final Adjustments Budget |
|--|-----------------------------|-----------------------|--------------------------------|
| | R | R | R |
| CAPITAL EXPENDITURE - VOTE | | | |
| Multi-year Expenditure | | | |
| Vote 1 - Executive and Council | - | - | - |
| Vote 2 - Finance and Administration | - | - | - |
| Vote 3 - Planning and Development | - | - | - |
| Vote 4 - Health | - | - | - |
| Vote 5 - Community and Social Services | - | - | - |
| Vote 6 - Public Safety | - | - | - |
| Vote 7 - Sports and Recreation | - | - | - |
| Vote 8 - Road Transport | - | - | - |
| Vote 9 - Other | - | - | - |
| Vote 10 - Housing Services | - | - | - |
| Vote 11 - Waste Management | - | - | - |
| Vote 12 - Waste Water Management | - | - | - |
| Vote 13 - Electricity | - | - | - |
| Vote 14 - Water | - | - | - |
| Total Capital Expenditure - Multi-year | - | - | - |
| Single-year Expenditure | | | |
| Vote 1 - Executive and Council | 153 000 | - | 153 000 |
| Vote 2 - Finance and Administration | 1 687 000 | - | 1 687 000 |
| Vote 3 - Planning and Development | 12 000 | - | 12 000 |
| Vote 5 - Community and Social Services | 295 000 | - | 295 000 |
| Vote 6 - Public Safety | 85 000 | - | 85 000 |
| Vote 7 - Sports and Recreation | 251 000 | - | 251 000 |
| Vote 8 - Road Transport | 14 716 000 | - | 14 716 000 |
| Vote 9 - Other | - | - | - |
| Vote 10 - Housing Services | - | - | - |
| Vote 11 - Waste Management | 1 800 000 | - | 1 800 000 |
| Vote 12 - Waste Water Management | 3 180 000 | - | 3 180 000 |
| Vote 13 - Electricity | 1 300 000 | - | 1 300 000 |
| Vote 14 - Water | 17 110 000 | (16 690 000) | 420 000 |
| Total Capital Expenditure - Single-year | 40 589 000 | (16 690 000) | 23 899 000 |
| Total Capital Expenditure - Vote | 40 589 000 | (16 690 000) | 23 899 000 |
| CAPITAL EXPENDITURE - STANDARD | | | |
| Governance and Administration: | | | |
| Executive and Council | 153 000 | - | 153 000 |
| Budget and Treasury Office | 1 317 000 | - | 1 317 000 |
| Corporate Services | 370 000 | - | 370 000 |
| Community and Public Safety: | | | |
| Community and Social Services | 295 000 | - | 295 000 |
| Sport and Recreation | 251 000 | - | 251 000 |
| Public Safety | 85 000 | - | 85 000 |
| Economic and Environmental Services: | | | |
| Planning and Development | 12 000 | - | 12 000 |
| Road Transport | 14 716 000 | - | 14 716 000 |
| Trading Services: | | | |
| Electricity | 1 300 000 | - | 1 300 000 |
| Water | 17 110 000 | (16 690 000) | 420 000 |
| Waste Management | 4 980 000 | - | 4 980 000 |
| Other: | | | |
| Other | - | - | - |
| Total Capital Expenditure - Standard | 40 589 000 | (16 690 000) | 23 899 000 |
| FUNDED BY: | | | |
| National Government | 28 448 000 | (16 540 000) | 11 908 000 |
| Provincial Government | - | - | - |
| Other Transfers and Grants | - | - | - |
| Transfers Recognised - Capital | 28 448 000 | (16 540 000) | 11 908 000 |
| Internally Generated Funds | 6 141 000 | (150 000) | 5 991 000 |
| Borrowings | 6 000 000 | - | 6 000 000 |
| Total Capital Funding | 40 589 000 | (16 690 000) | 23 899 000 |

APPENDIX E(4)

[illegible]

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

| Description | 2015 | | | | | | | | 2014 |
|---|-----------------------------|-----------------------|--------------------------------|---------------------|---------------------|--------------------|---|--|---------------------|
| | Original Total Budget | Budget Adjustments | Final Adjustments Budget | Final Budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Audited Outcome |
| | R | R | R | R | R | R | R | R | R |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Ratepayers and Other | 153 090 000 | (10 644 000) | - | 142 446 000 | 114 622 738 | (27 823 262) | (19,53)% | (18,17)% | 101 123 177 |
| Government - Operating | 39 633 000 | - | - | 39 633 000 | 50 908 667 | 11 275 667 | 28,45% | 28,45% | 53 829 613 |
| Government - Capital | 29 248 000 | (16 540 000) | - | 12 708 000 | - | (12 708 000) | (100,00)% | (43,45)% | - |
| Interest | 940 000 | - | - | 940 000 | 1 596 161 | 656 161 | 69,80% | 69,80% | 1 030 475 |
| Payments | | | | | | | | | |
| Suppliers and Employees | (163 870 000) | 493 000 | - | (163 377 000) | (151 521 528) | 11 855 472 | (7,26)% | (7,23)% | (141 716 686) |
| Finance Charges | (1 700 000) | (830 000) | - | (2 530 000) | (1 336 550) | 1 193 450 | (47,17)% | (70,20)% | (1 607 928) |
| Transfers and Grants | (13 669 000) | - | - | (13 669 000) | - | 13 669 000 | (100,00)% | (100,00)% | - |
| NET CASH FROM / (USED) OPERATING ACTIVITIES | 43 672 000 | (27 521 000) | - | 16 151 000 | 14 269 488 | (1 881 512) | 8835,05% | 3267,42% | 12 658 650 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Proceeds on Disposal of PPE | 120 000 | - | - | 120 000 | - | (120 000) | (100,00)% | (100,00)% | 989 704 |
| Decrease / (Increase) in Non-current Debtors | - | - | - | - | - | - | - | - | - |
| Decrease / (Increase) Other Non-current Receivables | - | - | - | - | (100) | (100) | (100,00)% | - | - |
| Decrease / (Increase) in Non-current Investments | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | |
| Capital Assets | (40 589 000) | 16 690 000 | - | (23 899 000) | (14 172 439) | 9 726 561 | (40,70)% | (23,96)% | (21 551 681) |
| NET CASH FROM / (USED) INVESTING ACTIVITIES | (40 469 000) | 16 690 000 | - | (23 779 000) | (14 172 539) | 9 606 461 | - | - | (20 561 977) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Increase / (Decrease) in Short-term Loans | 6 135 000 | - | - | 6 135 000 | - | (6 135 000) | (100,00)% | (100,00)% | - |
| New Loans raised | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | |
| Loans repaid | (3 384 000) | - | - | (3 384 000) | (2 776 889) | 607 111 | (17,94)% | (17,94)% | (2 503 720) |
| NET CASH FROM / (USED) FINANCING ACTIVITIES | 2 751 000 | - | - | 2 751 000 | (2 776 889) | (5 527 889) | - | - | (2 503 720) |
| NET INCREASE / (DECREASE) IN CASH HELD | 5 953 000 | (10 831 000) | - | (4 878 000) | 1 515 497 | (3 362 503) | - | 2545,77% | 10 407 047 |
| Cash / Cash Equivalents at the Year begin: | (2 629 000) | 2 915 000 | - | 286 000 | 232 800 | (53 200) | (18,60)% | 2,02% | 10 639 847 |
| Cash / Cash Equivalents at the Year end: | 3 324 000 | (7 916 000) | - | (4 592 000) | (1 282 697) | 3 309 303 | (72,07)% | 99,56% | 232 800 |

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

| Name of Grant | Name of Organ of State or Municipal Entity | Opening Balance | Total Receipts | Total Expenses | Net Grant | Reason for Delay / Withholding of Funds | Compliance to Revenue Act | Reason for Non-compliance |
|--|--|------------------|-------------------|-------------------|------------------|---|---------------------------|---------------------------|
| | | | Total | Total | Total | | Yes / No | |
| Equitable Share | Nat Treasury | - | 35 342 000 | 35 342 000 | - | - | Yes | N/a |
| Library Grant | Provincial | - | 757 000 | 757 000 | - | - | Yes | N/a |
| EPWP | Nat Treasury | - | 1 000 000 | 952 725 | 47 275 | - | Yes | N/a |
| MIG | Nat Treasury | 1 511 512 | 16 108 000 | 15 867 861 | 1 751 651 | - | Yes | N/a |
| FMG | Nat Treasury | - | 1 600 000 | 1 600 000 | - | - | Yes | N/a |
| MSIG | Nat Treasury | - | 934 000 | 934 000 | - | - | Yes | N/a |
| DWA | Provincial | 15 621 | 92 762 | 92 762 | 15 621 | - | Yes | N/a |
| Nonzwakazi Revitalisation | Provincial | 290 042 | - | 22 442 | 267 600 | - | Yes | N/a |
| Phandulwazi Upgrade | Provincial | 150 000 | - | - | 150 000 | - | Yes | N/a |
| Housing Accreditation | Provincial | - | 645 000 | 645 000 | - | - | Yes | N/a |
| Department of Health | Provincial | 3 599 559 | - | 3 599 559 | - | - | Yes | N/a |
| Department of Education | Provincial | 1 232 100 | - | - | 1 232 100 | - | Yes | N/a |
| Department of Roads | Provincial | - | - | - | - | - | Yes | N/a |
| Fire Equipment | Provincial | 39 188 | - | - | 39 188 | - | Yes | N/a |
| INEP | Nat Treasury | 257 245 | - | - | 257 245 | - | Yes | N/a |
| Total Grants and Subsidies Received | | 7 095 267 | 56 478 762 | 59 813 350 | 3 760 679 | | | |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

| Incumbent | Fees for Services | Basic Salaries | Bonuses | Allowances | Contributions to Funds | Other Short-term Benefits | Any Other Benefits | Total Remuneration |
|--|-------------------|------------------|----------------|------------------|------------------------|---------------------------|--------------------|--------------------|
| | R | R | R | R | R | R | R | R |
| Mayor | | | | | | | | |
| Sthonga ST | - | 504 572 | - | 187 472 | 6 364 | - | - | 698 408 |
| Speaker | | | | | | | | |
| Freddie MM | - | 335 274 | - | 154 151 | 70 774 | - | - | 560 199 |
| Councillors | | | | | | | | |
| Kivedo MC | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Jood J | - | 105 919 | - | 70 852 | 46 273 | - | - | 223 044 |
| Jonas VG | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Thomas NS | - | 151 372 | - | 70 852 | 1 982 | - | - | 224 206 |
| Du Plessis WJ | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Nyl GL | - | 176 387 | - | 89 589 | 32 499 | - | - | 298 474 |
| Nkumbi GL | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Witbooi WA | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Jaftha AF | - | 176 387 | - | 89 589 | 32 499 | - | - | 298 474 |
| Swanepoel B | - | 164 627 | - | 71 526 | 30 231 | - | - | 266 385 |
| Malherbe M | - | 128 281 | - | 70 852 | 23 664 | - | - | 222 797 |
| Rust HJ | - | 137 104 | - | 41 248 | 42 134 | - | - | 220 485 |
| Total for Councillors | - | 2 521 327 | - | 1 200 390 | 404 738 | - | - | 4 126 456 |
| Municipal Manager | | | | | | | | |
| Visser I | - | 763 674 | 192 969 | 258 000 | 150 182 | - | 93 095 | 1 457 919 |
| Chief Financial Officer | | | | | | | | |
| Manuel MF | - | 685 680 | 172 314 | 271 392 | 135 829 | - | 13 129 | 1 278 343 |
| Director: Community Services | | | | | | | | |
| Diamane EV | - | 488 472 | 100 249 | 125 690 | 145 056 | - | 25 402 | 884 870 |
| Director: Corporate Services | | | | | | | | |
| Jack MR | - | 546 768 | 88 000 | 161 952 | 108 327 | - | 68 440 | 973 486 |
| Director: Infrastructure and Technical Services | | | | | | | | |
| Owies MJV | - | 451 000 | 66 000 | 36 665 | 127 538 | - | - | 681 203 |
| Taljaard FD (Acting) | 39 414 | 352 710 | 28 873 | 86 460 | 70 062 | - | - | 577 518 |
| Total for Senior Managers | 39 414 | 3 288 304 | 648 404 | 940 159 | 736 992 | - | 200 065 | 5 853 339 |
| Total for Management | 39 414 | 5 809 631 | 648 404 | 2 140 549 | 1 141 731 | - | 200 065 | 9 979 795 |

30 June 2014

| Incumbent | Fees for Services | Basic Salaries | Bonuses | Allowances | Contributions to Funds | Other Short-term Benefits | Any Other Benefits | Total Remuneration |
|--|-------------------|------------------|----------------|------------------|------------------------|---------------------------|--------------------|--------------------|
| | R | R | R | R | R | R | R | R |
| Mayor | | | | | | | | |
| Sthonga ST | - | 476 510 | - | 181 025 | 5 113 | - | - | 698 408 |
| Speaker | | | | | | | | |
| Freddie MM | - | 322 325 | - | 152 087 | 66 814 | - | - | 560 199 |
| Councillors | | | | | | | | |
| Kivedo MC | - | 124 203 | - | 70 525 | 22 754 | - | - | 222 797 |
| Jood J | - | 107 285 | - | 70 436 | 40 330 | - | - | 223 044 |
| Jonas VG | - | 123 973 | - | 70 527 | 22 752 | - | - | 222 797 |
| Thomas NS | - | 145 341 | - | 70 527 | 1 627 | - | - | 224 206 |
| Du Plessis WJ | - | 123 973 | - | 70 530 | 22 741 | - | - | 222 797 |
| Nyl GL | - | 170 277 | - | 88 631 | 31 230 | - | - | 298 474 |
| Nkumbi GL | - | 123 973 | - | 70 444 | 22 740 | - | - | 222 797 |
| Witbooi WA | - | 123 973 | - | 70 527 | 22 741 | - | - | 222 797 |
| Jaftha AF | - | 170 277 | - | 88 631 | 31 229 | - | - | 298 474 |
| Swanepoel B | - | 158 957 | - | 80 835 | 29 127 | - | - | 266 385 |
| Malherbe M | - | 123 973 | - | 70 444 | 22 741 | - | - | 222 797 |
| Rust HJ | - | 143 784 | - | 40 245 | 33 146 | - | - | 220 485 |
| Total for Councillors | - | 2 438 823 | - | 1 195 412 | 375 086 | - | - | 4 126 456 |
| Municipal Manager | | | | | | | | |
| Visser I | - | 741 444 | 147 037 | 247 008 | 138 842 | - | 87 070 | 1 457 919 |
| Chief Financial Officer | | | | | | | | |
| Manuel MF | - | 642 000 | 151 471 | 262 708 | 125 911 | - | 12 111 | 1 278 343 |
| Director: Community Services | | | | | | | | |
| Diamane EV | - | 457 414 | 72 950 | 128 090 | 135 015 | - | 18 973 | 884 870 |
| Director: Corporate Services | | | | | | | | |
| Jack MR | - | 512 000 | - | 155 520 | 99 634 | 15 018 | 63 983 | 973 486 |
| Director: Infrastructure and Technical Services | | | | | | | | |
| Makaleni DV | - | 409 500 | 34 125 | 119 462 | 81 764 | 30 576 | - | 681 203 |
| Taljaard FD (Acting) | - | 112 325 | 69 011 | 20 894 | 20 528 | - | - | 577 518 |
| Total for Senior Managers | - | 2 874 683 | 474 594 | 933 682 | 601 695 | 45 594 | 182 138 | 5 853 339 |
| Total for Management | - | 5 313 506 | 474 594 | 2 129 094 | 976 782 | 45 594 | 182 138 | 9 979 795 |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

| Ratio | | Norm / Range | Input Description | Data Inputs and Results | | Management Comments (#) |
|-----------------------------------|--|--------------|--|-------------------------|-------------|--|
| | | | | 2015 | 2014 | |
| 1. FINANCIAL POSITION | | | | | | |
| A. Asset Management / Utilisation | | | | | | |
| 1. | Capital Expenditure to Total Expenditure | 10% - 20% | | 5,21% | 7,44% | The Municipality planned to finance some of its cpaital needs through a loan. This loan was however not obtained during the year. |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |
| | | | Total Capital Expenditure | 14 194 318 | 21 457 449 | |
| | | | | | | |
| 2. | Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value) | 0% | PPE, Investment Property & Intangible Impairment | 0,01% | 0,01% | The Impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business. |
| | | | PPE at Carrying Value | 84 818 | 52 915 | |
| | | | IP at Carrying Value | 871 753 038 | 919 625 107 | |
| | | | Intangible Assets at Carrying Value | 5 004 000 | 5 004 000 | |
| | | | 235 393 | 383 791 | | |
| | | | | | | |
| 3. | Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value) | 8% | | 1,28% | 1,26% | As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives. |
| | | | Total Repairs and Maintenance Expenditure | 11 214 814 | 11 610 873 | |
| | | | PPE at Carrying Value | 871 753 038 | 919 625 107 | |
| | | | Investment Property at Carrying Value | 5 004 000 | 5 004 000 | |
| B. Debtors Management | | | | | | |
| 1. | Collection Rate | 95% | | 82,27% | 110,74% | Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this. |
| | | | Gross Debtors Closing Balance | 110 684 017 | 89 325 735 | |
| | | | Gross Debtors Opening Balance | 89 325 735 | 101 513 592 | |
| | | | Bad Debts Written-off | - | - | |
| | | | Billed Revenue | 120 461 979 | 113 465 561 | |
| | | | | | | |
| 2. | Bad Debts Written-off as % of Provision for Bad Debt | 100% | | 0,00% | 0,00% | |
| | | | Consumer Debtors Bad Debts Written-off | - | - | |
| | | | Consumer Debtors Current Bad Debt Provision | 72 351 010 | 52 388 149 | |
| | | | | | | |
| 3. | Net Debtors Days | 30 Days | | 116 Days | 119 Days | Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this. |
| | | | Gross Debtors | 110 684 017 | 89 325 735 | |
| | | | Bad Debts Provision | 72 351 010 | 52 388 149 | |
| | | | Billed Revenue | 120 461 979 | 113 465 561 | |
| C. Liquidity Management | | | | | | |
| 1. | Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants) | 1 - 3 Months | | 0 Months | 0 Months | As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline. |
| | | | Cash and Cash Equivalents | 12 281 744 | 12 210 203 | |
| | | | Unspent Conditional Grants | 3 760 679 | 7 095 267 | |
| | | | Overdraft | 13 564 441 | 11 977 403 | |
| | | | Short-term Investments | - | - | |
| | | | Total Annual Operational Expenditure | 258 437 338 | 267 088 313 | |
| | | | | | | |
| 2. | Current Ratio | 1.5 - 2:1 | | 2,75 | 2,88 | |
| | | | Current Assets | 125 401 187 | 121 847 106 | |
| | | | Current Liabilities | 45 642 541 | 42 302 278 | |
| C. Liability Management | | | | | | |
| 1. | Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure | 6% - 8% | | 1,59% | 1,54% | |
| | | | Interest Paid | 1 336 550 | 1 607 928 | |
| | | | Redemption | 2 776 889 | 2 503 720 | |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |
| | | | | | | |
| 2. | Debt (Total Borrowings) / Revenue | 45% | | 1,89% | 3,80% | |
| | | | Total Debt | 3 212 014 | 5 988 903 | |
| | | | Total Operating Revenue | 209 346 567 | 196 553 984 | |
| | | | Operational Conditional Grants | 39 770 004 | 39 023 543 | |
| C. Sustainability | | | | | | |
| 1. | Level of Cash Backed Reserves (Net Assets - Accumulated Surplus) | 100% | | 100,00% | 100,00% | |
| | | | Cash and Cash Equivalents | 12 281 744 | 12 210 203 | |
| | | | Bank Overdraft | 13 564 441 | 11 977 403 | |
| | | | Unspent Grants | 3 760 679 | 7 095 267 | |
| | | | Net Assets | 909 542 620 | 958 633 391 | |
| | | | Accumulated Surplus | 909 542 620 | 958 633 391 | |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

| Ratio | | Norm / Range | Input Description | Data Inputs and Results | | Management Comments (#) |
|---------------------------|--|--------------|--|-------------------------|--------------|---|
| | | | | 2015 | 2014 | |
| 2. FINANCIAL PERFORMANCE | | | | | | |
| A. Efficiency | | | | | | |
| 1. | Net Operating Surplus Margin | = or > 0% | | -24,03% | -36,00% | The Municipality cannot quantify the Depreciation portion due to the implementation of GRAP, but the result is due to this. |
| | | | Total Operating Revenue | 208 363 392 | 196 382 784 | |
| | | | Depreciation - Revalued Portion | - | - | |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |
| 2. | Net Surplus / Deficit Electricity | 0% - 15% | | -19,76% | -31,47% | Due to the slow recovery of Consumer Debtors and the fact that they cannot financially meet their responsibilities, a large portion of the outstanding debt has been provided for. |
| | | | Total Electricity Revenue | 67 029 700 | 60 589 837 | |
| | | | Total Electricity Expenditure | 80 275 166 | 79 654 853 | |
| 3. | Net Surplus / Deficit Water | = or > 0% | | -10,24% | -27,76% | Due to the slow recovery of Consumer Debtors and the fact that they cannot financially meet their responsibilities, a large portion of the outstanding debt has been provided for. |
| | | | Total Water Revenue | 27 325 462 | 25 603 450 | |
| | | | Total Water Expenditure | 30 122 894 | 32 709 812 | |
| 4. | Net Surplus / Deficit Refuse | = or > 0% | | 31,09% | 97,06% | |
| | | | Total Waste Management | 43 653 254 | (29 854 516) | |
| | | | Total Waste Management | 30 080 081 | (876 882) | |
| B. Distribution Losses | | | | | | |
| 1. | Electricity Distribution Losses (Percentage) | 7% - 10% | | 19,90% | 21,03% | 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. |
| | | | Number of Units Purchased and/or Generated | 56 896 563 | 57 021 523 | |
| | | | Number of Units Sold | 45 571 588 | 45 031 190 | |
| 2. | Water Distribution Losses (Percentage) | 15% - 30% | | 17,16% | 31,34% | 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 |
| | | | Number of Kilolitres Purchased and/or Purified | 2 165 233 | 2 078 624 | |
| | | | Number of Kilolitres Sold | 1 793 691 | 1 427 080 | |
| C. Revenue Management | | | | | | |
| 1. | Growth in Number of Active Consumer Accounts | None | | -13,32% | -19,05% | |
| | | | Number of Active Debtors Accounts (Previous) | 32 154 | 39 721 | |
| | | | Number of Active Debtors Accounts (Current) | 27 870 | 32 154 | |
| 2. | Revenue Growth (%) | = CPI | | 6,51% | 68,77% | |
| | | | CPI | 6,60% | 5,50% | |
| | | | Total Revenue (Previous) | 196 553 984 | 116 463 138 | |
| | | | Total Revenue (Current) | 209 346 567 | 196 553 984 | |
| 3. | Revenue Growth (%) - Excluding Capital Grants | = CPI | | 10,27% | 51,74% | |
| | | | CPI | 6,60% | 5,50% | |
| | | | Total Revenue, excluding Capital Grants (Previous) | 176 723 921 | 116 463 138 | |
| | | | Total Revenue, excluding Capital Grants (Current) | 194 873 316 | 176 723 921 | |
| D. Expenditure Management | | | | | | |
| 1. | Creditors Payment Period (Trade Creditors) | 30 Days | | 8 Days | 5 Days | |
| | | | Trade Creditors | 1 965 844 | 1 015 073 | |
| | | | Contracted Services | 7 799 898 | 7 227 685 | |
| | | | Repairs and Maintenance | 11 214 814 | 11 610 873 | |
| | | | General Expenses | 21 696 085 | 19 672 718 | |
| | | | Bulk Purchases | 47 048 655 | 43 535 580 | |
| | | | Capital Credit Purchases | - | - | |
| 2. | Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure | 0% | | 30,87% | 40,79% | The costs is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for. |
| | | | Irregular, Fruitless & Wasteful and Unauthorised Expenditure | 79 780 075 | 108 949 480 | |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |
| 3. | Remuneration as % of Total Operating Expenditure | 25% - 40% | | 27,47% | 23,98% | |
| | | | Employee / Personnel Related Cost | 66 864 269 | 59 893 633 | |
| | | | Councillors Remuneration | 4 126 459 | 4 157 184 | |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |
| 4. | Contracted Services % of Total Operating Expenditure | 2% - 5% | | 3,02% | 2,71% | |
| | | | Contracted Services | 7 799 898 | 7 227 685 | |
| | | | Total Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Taxation Expense | - | - | |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

| Ratio | | Norm / Range | Input Description | Data Inputs and Results | | Management Comments (#) |
|-------|--|--------------|-------------------|-------------------------|------|-------------------------|
| | | | | 2015 | 2014 | |
| | | | | | | |

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

| Ratio | | Norm / Range | Input Description | Data Inputs and Results | | Management Comments (#) |
|----------------------------|--|--------------|---|-------------------------|--------------|---|
| | | | | 2015 | 2014 | |
| E. Grant Dependency | | | | | | |
| 1. | (Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure | None | | 2,55% | 9,61% | |
| | | | Internally Generated Funds | 361 703 | 2 061 253 | |
| | | | Borrowings | - | - | |
| | | | Total Capital Expenditure | 14 194 318 | 21 457 449 | |
| | | | | | | |
| 2. | Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure | None | | 2,55% | 9,61% | |
| | | | Internally Generated Funds | 361 703 | 2 061 253 | |
| | | | | | | |
| | | | Total Capital Expenditure | 14 194 318 | 21 457 449 | |
| | | | | | | |
| 3. | Own Source Revenue to Total Operating Revenue (Including Agency Revenue) | None | | 79,59% | 77,92% | |
| | | | Total Revenue | 209 346 567 | 196 553 984 | |
| | | | Government Grant and Subsidies | 54 243 255 | 58 853 606 | |
| | | | Public Contributions and Donations | - | - | |
| | | | Capital Grants | 14 473 251 | 19 830 063 | |
| | | | | | | |
| 3. BUDGET IMPLEMENTATION | | | | | | |
| A. Efficiency | | | | | | |
| 1. | Capital Expenditure Budget Implementation Indicator | 95% - 100% | | 59,39% | 102,99% | The Municipality planned to finance some of its capital needs through a loan. This loan was however not obtained during the year. |
| | | | Actual Capital Expenditure | 14 194 318 | 21 457 449 | |
| | | | Budgeted Capital Expenditure | 23 899 000 | 20 834 000 | |
| | | | | | | |
| 2. | Operating Expenditure Budget Implementation Indicator | 95% - 100% | | 127,94% | 138,96% | The unfavourable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for. |
| | | | Actual Operating Expenditure | 258 437 338 | 267 088 313 | |
| | | | Budgeted Operating Expenditure | 202 004 000 | 192 205 697 | |
| | | | | | | |
| 3. | Operating Revenue Budget Implementation Indicator | 95% - 100% | | 102,84% | 107,80% | Due to Fines being recorded in full when issued, as required by GRAP 23. |
| | | | Actual Operating Revenue | 208 363 392 | 196 382 784 | |
| | | | Budgeted Operating Revenue | 202 601 000 | 182 169 422 | |
| | | | | | | |
| 4. | Service Charges and Property Rates Revenue Budget Implementation Indicator | 95% - 100% | | 99,58% | -673,36% | |
| | | | Actual Service Charges and Property Rates Revenue | 119 645 875 | (70 534 329) | |
| | | | Budgeted Service Charges and Property Rates Revenue | 120 149 000 | 10 475 000 | |
| | | | | | | |
| Interpretation of Results: | | | | | | |
| | The green colour indicates that the result is within the norm and is acceptable. | | | | | |
| | The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results. | | | | | |
| | Data should be captured in the blue coloured cell to calculate a ratio. | | | | | |
| # | In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced. | | | | | |

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 XX to XX, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality'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 municipality'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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA, and DoRA.

Emphasis of matters

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

Significant uncertainties

8. With reference to note 58 to the financial statements, the municipality is the defendant in multiple-claim lawsuits. The municipality is opposing some of the claims as it believes the claims to be won in favour of the municipality. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2014, have been restated as a result of an error discovered during 30 June 2015 in the financial statements of the Emthanjeni Local Municipality for the year ended 30 June 2014.

Material losses

10. As disclosed in note 53 to the financial statements, material losses due to electricity losses to the amount of R 5 293 327 (R 5 497 172) were incurred as a result of tampered and faulty meters, incorrect use of ratio in bulk meters and illegal connections.

Additional Matters

Unaudited supplementary schedules

11. The supplementary information set out on appendix A to H does not form part of the financial statements and is presented as additional information. I have not audited these appendices and, accordingly, I do not express an opinion thereon.
12. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Development priority 1: Basic Service Delivery on pages 23 to 25
 - Development priority 3: Local Economic Development on pages 23 to 25
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the selected development objectives are as follows:

Local Economic Development

Reliability of reported predetermined objectives

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was

unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance.

21. I did not identify material findings on the usefulness and reliability of the reported performance information for the following development priority:

- Basic Service Delivery

Additional matters

22. I draw attention to the following matters.

Achievement of planned targets

23. Refer to the annual performance report on pages 22 to 24 for information on the achievement of planned targets for the year. This information should be considered in the context of the materials finding on the reliability of the reported performance information for the selected development priority reported in paragraph 6 of this report.

Unaudited supplementary schedules

24. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion thereon.

Compliance with legislation

25. Included below are material findings on non-compliance with specific requirements in key applicable legislation.

Strategic planning and performance management

26. The performance management system and related controls were not in place as it did not describe and represent the processes of performance reporting and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.

Financial statements, performance and annual reports

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Material misstatements of non-current assets and revenue were identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Audit committees

28. The audit committee did not advise the council and accounting officer on matters relating to effective governance as required by section 166(2)(a) of the MFMA.

29. 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.

Expenditure management

30. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
31. Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as required by section 62(1)(d) of the MFMA.

Asset and liability management

32. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Consequence management

33. Unauthorised and Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

Internal control

34. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on annual performance report and the findings on compliance with legislation included in this report.

Leadership

35. The following challenges were experienced that contributed to the weaknesses in the financial environment and the ultimate audit outcome:
36. The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in turn, resulted in irregular and unauthorised expenditure.
37. Leadership did not regularly monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.
38. Personnel had not been allocated specific duties and responsibilities to facilitate the continuous monitoring of internal controls.
39. Leadership did not continuously monitor the audit action plan, and individuals responsible for particular sections of the plan were not held accountable.
40. Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit.

Financial and performance management

41. Weekly and monthly reconciliations were not always adequately prepared for financial items during the year including property rates, creditors, and inventory and consumer deposits. This has resulted in the municipality being required to rely on manual reconciliation at year end. Due to the significant increase in volume of manual reconciliation required, assurance processes were not implemented timely to ensure information is accurate and complete.
42. Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance management systems, processes and procedures had not been designed and implemented. The usefulness and reliability of predetermined information was neither implemented nor monitored.
43. Management has not made any significant strides in dealing with issues of IT governance. This is evidenced by slow progress in this area and fundamental concerns as reported by the ISA unit.
44. The financial statements were subject to material corrections resulting from the audit, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.
45. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Governance

46. The audit committee was not effective and efficient as it did not advice council on issues of effective governance and did not respond to council on issues raised by the Auditor General.


Kimberley

30 November 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence