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Chapter 01

INTRODUCTION





Foreword BY THE EXECUTIVE MAYOR

I have great pleasure in introducing the 2011/12 Annual Report of the Makana Municipality which is both a legislative and accountability requirement. In terms of Section 46 of the Local: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No 56 of 2003, the Municipality must prepare an Annual Report for each financial year and the Executive Mayor must table it within seven months after the end of each Financial Year.

The Annual Report is one of the highly reputable tools of government to assess the effectiveness and impact the Municipality is making to the lives of its people. It also gives an opportunity to diagnose and come up with a remedy for the financial affairs of the institution.

Following a disclaimer in the period for the 2010/11 financial year, Council took a firm decision that a disclaimer was not acceptable and an urgent effort was required to improve the situation. As the Municipality we have worked very hard in ensuring that our financial controls and procurement processes improve in order to positively affect the financial management of the Municipality.

The Municipality made a commitment to the Auditor-General, during his "door to door" visits of all Municipalities, to address the challenges of the Municipality with the proper

political and administrative action being taken to address the situation.

In the year in question, one of the greatest challenges was the lapsing of the employment contracts of the Director: Corporate Services, the Director: Community and Social Services and the finalization of the CFO's Disciplinary Hearing. This lack of leaders was a challenge that was addressed through the vigorous recruitment of new personnel.

The suspension of the Municipal Manager was also a great challenge during the year in question. The aging infrastructure of the Municipality was another great challenge as the Municipality has been in existence for about 200 years.

The achievements during the year in question are the renovation of the Alicedale Wastewater Treatment Works; the progression of the provision of waterless sanitation units to the rural community and the successful conclusion of phase 1 of the Makana/ Raseborg Cooperation agreement on the promotion of education and improvement of Municipal service delivery to the rural areas.

Funds were also set aside for infrastructure maintenance, in order to address the aging infrastructure of the Municipality. Visible strides were made in reducing water leakages significantly under the Water Conservation and Demand Management.

The achievement of a Blue Drop Certificate with an improved score of 71,9% from 55,07% restored confidence in the quality of water of Makana. The Municipality prides itself on this improvement in its Green Drop Status which it will seek to improve in future.

There is visible evidence in the beautification of the township areas under the Neighbourhood Development Partnership Grant (NDPG).

It is a humbling experience that on behalf of the people of Makana Municipality I present the 2011/12 Annual Report. I thank you.

CR. ZJ PETER
EXECUTIVE MAYOR

Foreword

BY THE MUNICIPAL MANAGER

The Makana Municipality strived to improve its capacity to better facilitate service delivery during the 2011/12 financial year.

In its history, the Municipality has experienced a number of challenges with respect to audit opinions received, clearly illustrating the necessity to implement a vigorous turnaround strategy. It was therefore deemed necessary to conduct a comprehensive organizational development (OD) diagnosis in bringing about holistic change throughout the institution. This comprehensive exercise is striving to improve the municipal capacity in providing service delivery through the developing of a new organizational structure that would improve the effectiveness and efficiency of the administration and management of the Municipality.

Similar to other municipalities, the Council of the Municipality adopted the Municipal Turnaround Strategy and the IDP Review through a seamless, integrated approach taking into cognizance that the ward committees would be trained to contribute effectively to the IDP review process as part of the public participation process. The process for adoption of the Integrated Development Plan (IDP) for year under review was intense and enhanced public participation and community engagement such that there was timely adoption of the 2011/12 IDP. As the IDP is viewed as the strategic planning tool for the Municipality, it provided a five year strategic framework to focus on developmental issues identified by the communities particularly in the year in focus. The year under review saw numerous developments taking place in our Municipality with specific reference to the following five (5) Key Performance Areas:

- KPA 1 – Organizational Transformation and Institutional Development
- KPA 2 – Basic Service Delivery
- KPA 3 – Local Economic Development
- KPA 4 – Financial Viability and Management
- KPA 5 – Good Governance and Public Participation

The performance of the Municipality has been measured against the targets set out in the IDP by means of the Service Delivery Budget and Implementation Plan. Vigorous steps

to enhance the mechanism of validating performance information by the municipal Internal Auditors assisted in monitoring and evaluating the performance of the Municipality. Efforts were made to cascade the Performance Management System beyond the level of the Executive Directors to that of the Assistant Directors.

In improving its business process and means of communication, the Municipality ensured the installation of a main network server with a backup in order to protect its electronic information. It also addressed the installation of network infrastructure in most municipal offices and appointed a Systems Administrator as well as a private company to assist in the provision of IT support.

As reported in the previous report, the Municipality was able to utilize a portion of the approved R50 million DBSA Loan to improve the water infrastructure in Makana. The aim is to provide our residents with safe water that is supplied constantly with minimum disruptions.

The Municipality, like other municipalities in the Country, has not been immune to the economic downturn which has placed tremendous strain on many of our citizens at a local government level. However, through its Indigent Subsidy programme, the Municipality strives to assist the struggling residents to meet their commitments in respect of rates and service charges.

On behalf of the Management of Makana Municipality we wish to express our appreciation for the political leadership and guidance given by the Speaker of Council, the Executive Mayor and his Mayoral Committee and the Councillors at large during this period. The dedication and support from management and the staff in general have made it possible to achieve the milestones covered thus far.



Ms R MEIRING
ACTING MUNICIPAL MANAGER

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 MUNICIPAL OVERVIEW

The Makana Municipality is situated in the western part of the Eastern Cape Province, falling under the Cacadu District Municipality. It is located 120km from Port Elizabeth to the west and 180km from East London to the east. It is the home of the National Arts Festival and the seat of Rhodes University and other prominent and internationally acclaimed primary and high schools found in Grahamstown.

i) Population Profile

According to Stats SA's Census 2011 statistics, the total population of Makana was 80 391 in 2011. The aforementioned figure depicts an increase from the Makana population figure of 74561 indicated in the Census Survey of 2007.

ii) Employment/Unemployment Trends

The percentage of people unemployed within Makana in 2007 was 43.3%. The Unemployment figure for the Cacadu District has shown a gradual decrease from 35,4% in 2001 to 24,9% in 2011, according to the Census statistics of 2011.

iii) Socio-economic Indicators

The dominant sector in the informal sector is day-to-day trading, which accounts for 51% of informal sector employment.

Makana's economy registered positive growth during the past decade and large strides are being made in addressing the levels of poverty through the Extended Public Works Programme and other related Government initiatives.

1.3. SERVICE DELIVERY OVERVIEW

The basic service delivery achievements and challenges of the Makana Municipality are addressed by the Technical Infrastructure and the Community and Social Services Departments. The Finance Department ensures that all indigent households that apply for an indigent subsidy are provided with the required assistance. The Local Economic Development Department is a support for economic rejuvenation and the Corporate Services Department provides administrative support to the Council and the administrative structures.

1.4. FINANCIAL HEALTH OVERVIEW

Financial wise, the Municipality is fairly capable of funding its operations from its resources while it is also dependent on un-conditional grants such as equitable share. The latest credit rating indicates that the rating outlook of Makana Municipality is stable for its size. The rating agent also praises the Municipality for its fiscal discipline. It should be borne in mind that a strong cash flow and a healthy balance sheet are imperative in order to create a solid platform for economic growth.

OPERATING RATIOS	
Detail	%
Employee Costs	49.38%
Repairs & Maintenance	3.37%
Finance Charges & Depreciation	15.34%

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

1.5.1 ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Municipality has, in its history, experienced a number of challenges with respect to audit opinions received clearly illustrating the necessity to implement a vigorous turnaround strategy. It was therefore deemed necessary to conduct a comprehensive organizational development (OD) diagnosis in bringing about holistic change throughout the institution. AN OD exercise will assess the efficacy and adequacy of the current organizational design and model against the macro strategic requirements as encapsulated in the IDP. It will include business process mapping; business process engineering; functional analysis; job design and evaluation. The aforementioned will take into account the following: the macro strategic environment, analyse mandates as public policy shifts from time to time and changes in the business processes within a broader people management value chain.

This comprehensive exercise aimed at continuously striving to improve the municipal capacity in providing service delivery and improve upon the effectiveness and efficiency of the administration and management of the Municipality commenced in the ensuing year.

1.6. AUDITOR-GENERAL REPORT

1.6.1 AUDITOR-GENERAL REPORT 2011/12

The Auditor General's Report is addressed further under the Auditor-Generals Opinion of Financial Statements.

CHAPTER 02

GOVERNANCE



COMPONENT A

POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. POLITICAL GOVERNANCE

The Council plays an oversight role in terms of the delegations and the Mayor and Council provide political guidance over the financial matters of the Municipality. The Council, along with the Speaker as its Chairperson is the highest decision making structure and consists of 24 Councillors. It has an executive Mayoral System with a full time Mayoral Committee comprising of the Executive Mayor and the five Chairpersons of Portfolio Committees. The Mayoral Committee reports to Council. There is a fully functional Audit Committee attached to the Municipality that provides opinions and recommendations on financial processes and performance, and provides comments to the Oversight Committee on the Annual Report. The Municipal Public Accounts Committee is comprised of non-executive councillors, with the specific purpose of providing Council with comments and recommendations on the Annual Report. The Oversight Committee Report will be published separately in accordance with Municipal Finance Management Act (MFMA) guidance.

POLITICAL STRUCTURE

MAYOR

Cllr Zamuxolo Peter

SPEAKER

Cllr Rachel Madinda-Isaac

CHIEF WHIP

Cllr V Kolisi

MAYORAL COMMITTEE MEMBERS

Cllr P Ranchhod Chairperson of Finance, Administration, Monitoring and Evaluation Portfolio Committee

Cllr M Matyumza Chairperson of Social Services Development Portfolio Committee

Cllr N Gaga Chairperson of Infrastructure Development Portfolio Committee

Cllr P Notyawa Chairperson of Local Economic Development Portfolio Committee

Cllr M Masoma Chairperson of Tourism and Creative Industries Portfolio Committee

COUNCILLORS

The Makana Council consists of 28 Councillors of which 14 are Ward Councillors and the rest are Proportional Representatives. Appendix A depicts a full list of Councillors and their committee allocations. Appendix B sets out committees and committee purposes.

POLITICAL DECISION-TAKING

Political decisions are taken on the basis of reaching consensus and where the political parties that comprise Council cannot agree on a matter, they vote on it.

2.2. ADMINISTRATIVE GOVERNANCE

2.2.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager, Ms N Baart, is the Accounting Officer of the Makana Municipality and she is assisted in the provision of administrative governance by five Section 57 directors. The directors have assistant directors who assist them in managing their units.

TOP ADMINISTRATIVE STRUCTURE

Municipal Manager	Ms Ntombi Baart
Manager: Support Services	Mr Edward Ganza
Chief Financial Officer	Mr J Ngcelwane(On suspension)*
Deputy Director: Revenue	Mr M Crouse
Assistant Director: Income	Mr L Sizani
Manager: Supply Chain	Ms A Madikane-Noganta
Director Corporate Services	Mr Thabiso Klaas* (Employment contract expired on 31 March 2012)
Assistant Director: Human Resources	Ms P Qezu
Assistant Director: Administration	Mr E Mager
Director Community and Social Services	Mr Mandisi Planga*
Assistant Director: Environmental Services	Mr J Esterhuizen
Assistant Director: Fire Services	Mr W Welkom
Assistant Director: Library Services	Ms P Vubela
Assistant Director: Traffic Services	Mr C Hanekom
Assistant Director: Parks and Recreation	Mr K Bates
Director: Local Economic Development	Ms Riana Meiring *
Manager Trade, Tourism and Investment	Mr T Sindani
Manager: Agriculture	Ms Z Nduna
Director: Technical & Infrastructural Services	Mr D Njilo* (Resigned 31 December 2011) Mr E Myalato* (From 01 June 2012)
Deputy Director: Technical & Infrastructural Services	Vacant from 01 July 2011 Ms P Booï (From 01 December 2012)
Deputy Director: Land Use and Planning	Mr R Van der Merwe
Deputy Director: Technical Services	Mr J Siteto
Manager: Distribution	Mr M Radu (Assumed duty 01 April 2012)
Assistant Director: Housing – Water and Sewer	Mr M Mabece (Until 31 December 2011) Mr L Mashiya (From 01 April 2012)
Assistant Director: Roads and Works	Mr D Robertson (Until 30 August 2011) Mr S Tutuse (From 01 April 2012)
Assistant Director: Housing	Ms Z Mkuzo
Project Management Unit Manager	Ms P Booï (Until 30 November 2011) Vacant at 30 June 2012

NB * denotes officials on fixed term performance contracts reporting to the Municipal Manager under the Municipal Systems Act Section 57.

COMPONENT B

INTERGOVERNMENTAL RELATIONS

2.3. INTERGOVERNMENTAL RELATIONS

2.3.1. NATIONAL INTERGOVERNMENTAL STRUCTURES

As an active member of the South African Local Government Association, the Makana Municipality plays an active role when national planning proposals are discussed.

2.3.2. PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipal Manager attends all meetings of the Provincial Munimec and similar structures with all resolutions taken at that level being worked into the Makana IGR's agenda in the form of action sheets to ensure that the resolutions taken are implemented.

The value in this interaction is in ensuring that the needs of the local community are considered when the implementation of government projects is discussed.

2.3.3. DISTRICT INTERGOVERNMENTAL STRUCTURES

The Makana Municipality regularly interacts with the other municipalities in the district as the government has created platforms for such deliberations, such as the Cacadu District Municipal Managers Forum. This ensures that information related to new initiatives in the District is effectively relayed to the Makana Municipality's Senior Management.

COMPONENT C

PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. COMMUNICATION, PARTICIPATION AND FORUMS

In an effort to enhance public communication and participatory initiatives, the Makana Municipality convened a series of Mayoral Imbizos and established Ward Committees to ensure that consultation takes place throughout the year on various issues including matters raised by members of the community. With respect to the IDP and the Budget, the IDP/PMS Manager set up IDP/Budget and Performance Management Representative forums. The Municipality also uses its municipal website and a slot on Radio Grahamstown to inform the public about municipal matters.

2.4.1. COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

The input derived from the Mayoral Imbizos (general meetings in the wards chaired by the Mayor) is reflected in the planning documents of the Municipality.

2.4.2. WARD COMMITTEES

The key purpose of Ward Committees is to act as consultation vehicles for the Municipality. Refer to Appendix E which contains further details on Ward Committee structures of the Makana Municipality. There are 14 Wards of which 13 have Ward Committees, with one Ward being subject to a Demarcation Board objection.

2.5. IDP PARTICIPATION AND ALIGNMENT

IDP PARTICIPATION AND ALIGNMENT	YES/NO
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 managers?	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D

CORPORATE GOVERNANCE

2.6. RISK MANAGEMENT

The Makana Municipality has seen the need to address risk management as per MFMA Section 62 (1) (c) (i). The Service Departments are headed by directors who have been designated as the Risk Owners and they form part of the Risk Management Committee which considers and approves the Risk Implementation Plan of the Municipality.

Below are the top five risks to the Makana Municipality as identified by management:

NO	RISK DESCRIPTION
1	Lack of adequate asset management processes
2	Inability to optimally utilise available resources (human and financial)
3	Lack of / inadequate SCM processes
4	Lack of revenue management strategy (protection and enhancement)
5	Inadequate implementation of ICT framework

2.7. ANTI-CORRUPTION AND FRAUD

2.7.1. FRAUD AND ANTI-CORRUPTION STRATEGY

The Makana Municipality has developed and adopted a Fraud Prevention Policy Framework and fraud prevention has been included in the KPAs of the Director: Corporate Services. All members of the Bid Committees are required to disclose their interests before every meeting. No Councillors are allowed to be part of the Bid Committees. There is an ongoing process of addressing areas requiring a division of duties, with Internal Audit reviewing all procurement processes.

2.8. SUPPLY CHAIN MANAGEMENT

The Makana Municipal Council approved the Supply Chain Management policy on 6 December 2010 and it directs how SCM processes would be practiced in the Makana Municipality. The standards set out in Section 112 of the MFMA are rigorously adhered to and the Supply Chain Unit was beefed up with the appointment of a manager in order to ensure that the supply chain function facilitates fast-tracked service delivery.

2.9. BY-LAWS

No new by-laws were enacted during the period of review.

2.10. WEBSITES

During the year under review, the installation of network infrastructure aimed at promoting interconnectivity, hampered the accessing of the website throughout the year.

2.11. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

No public satisfaction surveys were conducted during the year in review. However, there is a complaints management process which operates from the Technical Services Directorate for complaints related to basic service delivery whilst other general complaints are handled through the office of the Media and Communications Officer. He is also responsible for the Presidential hotline and a budget provision was made for the filling of a Customer Care Officer position.

CHAPTER 03

SERVICE DELIVERY PERFORMANCE



PERFORMANCE REPORT PART I

INTRODUCTION

The Makana Municipality provides the following essential services in its area of jurisdiction:

- a) Electricity (it provides electricity through Eskom in the former Grahamstown East area and certain rural areas, whilst the former Grahamstown West and parts of Alicedale are supplied by the Municipality)
- b) Sewerage
- c) Water
- d) Refuse removal and,
- e) Other services such as Libraries, Traffic Control and Environmental Management.

In an effort to market the Makana area, the Municipality has a long-standing arrangement with Makana Tourism where the Municipality makes an annual financial allocation to Makana Tourism in exchange for it to market the area and promote tourism. A Service Level Agreement was also completed by both parties in 2010 to formalise the arrangement and the body provides the Municipality with monthly financial reports. The Makana Municipality does not have a "Municipal Entity" nor does it utilise external mechanisms for basic service delivery.

COMPONENT A

BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

3.1. WATER PROVISION

3.1.1. INTRODUCTION TO WATER PROVISION

In terms of the Water Services Act (Act No. 108 of 1997) and declaration of the Powers and Functions by the Minister of Water Affairs and Forestry in 2004 Makana Municipality is acting as both Water Services Authority and Water Services Provider. The Authority function means that the Municipality is responsible for regulation, water quality, ensuring access and monitoring and evaluation. The Provider function means that the Municipality is responsible for access, provision, operations and maintenance of all water needs.

The Department of Water Affairs is responsible for policy formulation, capacity building and support where it is needed, regulation and enforcement of legislation. The Department of Corporate Governance and Traditional Affairs is responsible for funding of some water capital projects through MIG. The Municipality has the responsibility of implementing water services projects and maintenance thereof. Water deliveries were made by truck to rural areas on request by the Community and Social Services Directorate.

DESCRIPTION	2011/12 ACTUAL NO. OF HOUSEHOLDS
Water: (above min level)	
Piped water inside dwelling	6249
Piped water inside yard (but not in dwelling)	9403
Using public tap (stand pipes)	829
Other water supply (within 200m)	
<i>Minimum Service Level and Above sub-total</i>	16481
<i>Minimum Service Level and Above Percentage</i>	98%

DESCRIPTION	2011/12 ACTUAL NO. OF HOUSEHOLDS
Water: (below min level)	
Using public tap (more than 200m from dwelling)	2% located at rural farms
Other water supply (more than 200m from dwelling)	
No water supply	
<i>Below Minimum Service Level sub-total</i>	0
<i>Below Minimum Service Level Percentage</i>	0
Total number of households	16481

EMPLOYEES: WATER SERVICES					
JOB LEVEL/TASK	YEAR 2010/11		2011/12		VACANCIES (AS % OF TOTAL POSTS)
	EMPLOYEES NO	NO OF POSTS	EMPLOYEES NO	VACANCIES FULLTIME	
0 - 3	11	11	11	11	100
4 - 6	10	10	10	10	100
7 - 9	9	9	9	9	100
10 - 12	5	5	5	5	100
13 - 15	3	3	3	3	100
16	0	1	1	1	100

3.1.2 HIGHLIGHTS AND CHALLENGES

The Municipality has met the target of providing households with quality water with the exception of farm areas and informal settlements. The Municipality supplies water to farm areas by carting water with water trucks and informal settlements receive their water through communal standpipes. Makana is currently providing the basic level of services as per the RDP standards but most of our households have individual house connections. This section presents the Municipality definitions of low and high level access to water services by the population as well as the low and high quality standard of water provision. This understanding of the level and standard should be the justification for setting yearly targets and reporting achievements.

In May 2012 the Municipality ranked in 6th position for obtaining 72% for the Blue Drop Status in the Eastern Cape. This was announced at the 2012 WISA Conference in Cape Town.

The water infrastructure of Makana is very old and still uses asbestos pipes which are no longer manufactured in South Africa. This results in continuous pipe bursts and leaks, which leads to prolonged water outages. The Municipality currently supplies water from two sources, which are the Fish River and Howiessons Poort. Capacity on human resources especially on technical expertise in order for Makana to respond effectively on issues of operations and maintenance, is still a challenge.

3.2. WASTE WATER (SANITATION) PROVISION

3.2.1 INTRODUCTION TO SANITATION PROVISION

In terms of the Water Services Act (Act no. 108 of 1997) and declaration of the Powers and Functions by the Minister of Water Affairs and Forestry in 2004 Makana Municipality is acting as both Water Services Authority and Water Service Provider. The Authority function means that the Municipality is responsible for regulation, quality, ensuring access, monitoring and evaluation of basic sanitation. The Provider function means that the Municipality is responsible for access, provision operations and maintenance of all access needs.

The Department of Water Affairs is responsible for policy formulation, regulation and enforcement. The Department of

Corporate Governance and Traditional Affairs is responsible for funding of some sanitation capital projects through MIG. The Municipality is having a responsibility of implementing sanitation projects and maintenance thereof.

Level and standard of services	The Municipality has met the target of providing households with basic sanitation services for informal settlements. We are currently providing the basic level of services as per the RDP standards in the form of Ventilated Improved Pit latrines. The sewer infrastructure is very old and makes use of asbestos pipes which are no longer manufactured in South Africa. This results in continuous sewer blockages and overflows. The main wastewater treatment plant is currently overloaded. Capacity on human resources, especially on technical expertise in-order for the Municipality to respond effectively on issues of operations and maintenance, is still a challenge.
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ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR IN SANITATION SERVICES						
Indicator	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year	Major challenges and remedial action
Percentage of households with access to sanitation services	1%	94	94	62	66%	Contractors not performing
Percentage of indigent households with access to free basic sanitation services	8064 have benefited.					The number that still needs to register as indigent is unknown. Remedial action: An audit to be undertaken of the rural areas
Percentage of clinics with access to sanitation services	0%, all Clinics have access to sanitation services	0	0	0	0	0.
Percentage of schools with access to sanitation services	0%, all Schools have access to sanitation services	0	0	0	0	0.

CHALLENGES

Most schools have the sanitation infrastructure but there are water pressure problems at several schools such as Samuel Ntsiko that would be addressed through an external loan.

3.3. ELECTRICITY

3.3.1 INTRODUCTION TO ELECTRICITY

The Makana Municipality Electricity Department ensures that its customers get good supply of quality service in compliance with the quality criteria prescribe by the National Electricity Regulator. The Department has the duty of refurbishing electrical infrastructure and the responsibility of connecting customers who are not on the grid.

The Department is also responsible for project implementation as well as day-to-day operations and maintenance.

Level and standard of services	<p>Customers are provided with a bulk 11 kilovolts of electricity. Some of this electricity is provided from solar energy.</p> <p>The Municipality provides streetlights in accordance to the standards as outlined in the National Energy Regulator of South Africa (Nersa) guidelines. It also provides high masts which are funded by the Municipal Infrastructure Grant (MIG).</p> <p>Medium and low voltage electricity is distributed according to consumer requirements.</p>
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ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR IN ELECTRICITY SERVICES						
Indicator	Total number of household or customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the financial year under review (actual numbers)	Number of households or customers reached during the financial year	Percentage of achievement during the year	Major challenges and remedial action
Percentage of households with access to electricity services	170	0	170	280	100	Funding for electrification of rural area (formalised infill area). All avenues of funding will be investigated.
Percentage of indigent households with access to basic electricity services	923	0	300	426	70%	None

3.4. HOUSING

3.4.1 INTRODUCTION TO HOUSING

The municipality fulfills the following roles in respect of the provision of housing:

- Provision of serviced land for housing development as per the Housing Act;
- To compile Housing Sector Plans for a period of five years;
- To compile housing needs surveys for housing delivery purposes;
- To facilitate the development of housing,
- To ensure that the houses that are built conform to the minimum building standards for residential houses.

The following role players are involved in the housing delivery process:

- Portfolio Committee: Considers housing inputs from the ward councillors, ward committees and housing officials.
- Ward Councillors: Provide housing needs and housing plans in respect of their constituents.
- Ward Committees: Provide housing needs from their respective ward residents.
- Housing Officials: Assist and guide the council in housing delivery to ensure that the end-user is satisfied with the product delivered. To ensure that service delivery does take place.
- Beneficiaries: Provide the municipality with their needs and what kind of output to be delivered by the municipality.
- Eastern Cape Housing Development Board: Provide land for housing development.
- Council: Approves the housing delivery plans.
- National Housing Board Regulatory Council: Ensure that the minimum building standards are adhered to and the registration of all housing contractors.
- Department of Human Settlements: Provide the funding for housing development.

As far as Breaking New Ground (BNG) housing is concerned, it is the responsibility of the Eastern Cape Provincial Department of Human Settlements to provide housing, with the Makana Council serving as the facilitating agent for the province.

3.5 FREE BASIC SERVICES AND INDIGENT SUPPORT

3.5.1 INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The Makana Municipality provides free basic services to indigent residents and also has a policy for indigent support that is implemented by the Finance Department.

COMPONENT B

ROADS

3.6. INTRODUCTION TO ROADS

The maintenance of the Makana Road network involves 4 major role players: i.e.

- a) The Provincial Road Construction Unit presently constructing a surfaced road between the N10 and Alicedale. The road is situated partially within Makana and Sundays River jurisdiction.

The District Road Engineer (Provincial Maintenance Unit) is responsible for 155, 0 km surfaced trunk and main roads and 663,0km of gravel roads within the rural areas of Makana . The condition of these roads is presently poor

- b) The Makana Council which is responsible for the maintenance of 176,0km of gravel and 163.0km of surfaced roads within the urban areas. The roads are generally in a poor to fair condition owing to lack of financial resources.
- c) A District Roads Forum has been established to address the problem of a lack of communication between the role-players.

The road network consists of a National Road between Port Elizabeth and King William's Town consisting of ± 45km surfaced road being maintained by the National Roads Agency. The road is in a fair to good condition. The Department is currently maintaining only Rural District Roads.

<p>Level and standard of road services</p>	<p>The 16 503 required erven within the Urban areas of Makana have an acceptable surfaced or gravel access road to each erf. The 400 erven within the informal areas have no acceptable access. Maintenance done is of a high standard utilising cold premix, Chip and spray and acceptable decomposed shale with a CBR of 45. However lack of skilled personal and limited financial resources hinders continuous programmed maintenance and resolving crisis management is the norm.</p>
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ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR IN ROAD MAINTENANCE						
Indicator	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year	Major challenges and remedial action
Percentage of households without access to gravel or graded roads	2,4%	400	2	0	0	Informal Area is not surveyed. Sub strata not suitable for grading Scarce skills of foreman/supervisors and operators required
Percentage of road infrastructure requiring upgrade	10%	3	3	800	100%	Lack of finance Staff shortage Inexperience staff
ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR IN ROAD MAINTENANCE						
Percentage of planned new road infrastructure actually constructed	2.5 Km	176km	6.0km	600	40%	Insufficient funding
Percentage of capital budget reserved for road upgrading and maintenance effectively used.	2,4%	176Km	6	600	40%	Contractors not performing Scarce road surfacing skills

COMPONENT C

PLANNING AND DEVELOPMENT

3.7. PLANNING

The Spatial Planning Unit deals with the following

a. Preparation and approval process of Spatial Development Framework (SDF)

The current SDF is an adopted one and is open for inspection to guide future development. The land earmarked for the 20 year lifespan of the current SDF will be fully utilised within the next five to ten years because of the determination with which Council is establishing townships, mainly for the RDP backlogs. Preparations to revise the current SDF are in the planning phase.

b. Land use management

The Unit also deals with land use applications related to the rezoning and subdivision of land.

During this financial year the following were attended to:

TYPE	HANDLED	APPROVED
Rezoning	17	09
Subdivision	16	08
Consent uses	1	01
Township establishment	35	14
Various land applications	55	45

c. Major challenges in spatial planning services and remedial actions

Not enough funding is available to formalise land specifically for RDP needs and backlogs; this is inclusive of funding for the top structures and infrastructure. 2 500 erven were established for low cost housing purposes within the infill areas and the Mayfield Phase 2 development. Townships are in the process of being established in Alicedale, Seven Fountains, Fort Brown and Ethembeni. This should make up 95% of all the informal settlements in Makana, bearing in mind that Erf 4103 and the Glebe area had already been formalised. What will remain to be achieved is the establishment of more townships to provide for beneficiaries of the housing waiting list which includes backyard dwellers. There would be enough formalised erven on which services could be provided and houses built.

3.8. LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM)

Brief presentation of LED strategy/plan

The Municipality's LED Strategy was approved in February 2010.

The LED goals that were identified to stimulate economic growth and development in the Municipality are the following:

- Increase R-GDP by 3.5% per year to match district and the provincial growth rates by 2014
- Maintain employment at current levels from 2010 to 2011, with the view of increasing trade and service sector employment by 4% from 2012 to 2014
- Grow the tourism related component of the local economy by 10% by 2014
- Maintain sustainable levels of capital expenditure on key LED infrastructure from 2010 to 2014
- Increase the role of formal and informal strategic partnerships in and between the public and private sectors of Makana as a catalyst for growth
- Reduce income leakage and support SMME activity through increased local procurement and labour force support measures.

These goals were translated in strategies and programmes and projects that are reflected in the 2010/11 IDP and SDBIP

A fully fledged LED Directorate, with the co-operation of all the other directorates in the Municipality are responsible for the implementation on the LED strategy and plan.

The LED Directorate is fully populated and the table below gives an indication of the positions, qualifications of staff and experience of the staff.

POSITION	QUALIFICATIONS	YEARS –EXPERIENCE
Director Local Economic Development	Masters in Business Administration and Masters in Social Work	20 years of local government, public relations, community development and local economic development
Manager Trade, Tourism & Investment	Highest qualification – National Diploma (Tourism Management)	6 years experience in Tourism Management and Local Economic Development
Manager: Agriculture	Honours Degree in Agricultural Economics and a Post Graduate Qualification in Education	7 years experience in agricultural development
Manager: SMME	Bachelor of Commerce (Economics and Business Management)	Five years experiences in enterprise and business development
Secretary	Diploma: Human Resource Management	Seven years experience in secretarial and administrative functions
Administrative Assistant	Secretarial Diploma	Six years experience in secretarial and administrative functions

An attempt was made to organise the business sector. Due to the problems experienced in achieving this, the Municipality established a Mayoral Business Forum and three meetings took place.

During the year under review the Municipality solicited the following funding, the type of programme as well as the grant amounts are reflected:

- a) Investment Incentives Policy and Investor Friendly Environment Initiative – Funded by Than Sinako to the tune of R304 500
- b) Edutourism Partnership Project – Funded by Thina Sinako to the tune of R 3,797 808
- c) Tourism SMME Development and Support Plan – Funded by Cacadu District Municipality to the tune of R150 000.
- d) Neighbourhood Development Partnership Grant – Funded by the National Treasury to the tune of R93 million. R35 million was spent on infrastructural projects from the Grant up to date.

3.8.1 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

a. Improve public and market confidence

A spatial development framework was approved for the municipality.

Spatial development framework (SDF)/Land use management system (LUMS);

An investment incentives policy was formulated and approved by the Council. An investment promotion guide was also produced to market Makana Investment opportunities.

Alternative energy projects were planned for implementation and the Waainek Wind Farm was at a stage where a proposal was going to be submitted to the Department of Energy. A proposal on the Bio-mass Project will also be submitted to the Department of Energy. Funding to the tune of R617 million is available by investors for both these projects. These projects have the potential of fulfilling the Municipality's electricity requirements in full.

A SMME Development strategy was developed in order to guide the municipality efforts in supporting SMME's. The strategy revealed the current situation faced by SMME's in Makana and proposed a set actions to support SMME's. The strategy is based on the following pillars:

- Training;
- Access to land;
- Access to finance;
- Information;
- Communication; and
- SMME database.

FEASIBILITY STUDY FOR INFORMAL TRADERS SUPPORT

A feasibility study was conducted in order to determine the appropriate structures/stalls that can be constructed for informal traders in Makana. A consultative process was undertaken where all the relevant stakeholders were consulted. The feasibility study revealed a number of issues that will assist the municipality in devising a proper support to the sector.

AGRO-PROCESSING STRATEGY FOR EMERGING FARMERS.

Refining of raw agricultural products into consumable commodities offers a number of opportunities; hence an agro-processing strategy was developed.

Alternative energy projects were planned for implementation and the Waainek Wind Farm was at a stage where a proposal was going to be submitted to the Department of Energy. A proposal on the Bio-mass Project will also be submitted to the Department of Energy. Funding to the tune of R617 million is available by investors for both these projects. These projects have the potential of fulfilling the Municipality's electricity requirements in full.

b. Exploit comparative and competitive advantage for industrial activities

COMPETITIVE ADVANTAGE

A Creative City concept was formulated. The concept aimed at positioning and profiling Grahamstown as a hub in terms of arts and culture development. A feasibility study on the development Fiddler's Green as a regular craft market was also commissioned.

COMPARATIVE ADVANTAGE

According to the situational analysis of the LED Strategy, Makana Municipality's comparative advantage is the agricultural, government and service and the tourism sector. The following programmes were initiated to stimulate the comparative advantage in the tourism sector:

MAKANA EDUTOURISM PARTNERSHIP PROJECT

The Makana Edutourism Project branding process was finalized. A new website and promotional materials were developed. Potential product identification and packaging plan was also being formulated.

TOURISM SMME DEVELOPMENT AND SUPPORT PLAN

The Tourism Sector Plan (2010) identified SMME Development as a vehicle through which the Previously Disadvantaged Individuals can be incorporated into the tourism economy. The following projects were rolled out: A marketing guide for township based tourism products/ experiences were developed. In addition 15 Kwam eMakana establishments were assisted with signs. An accommodation guide was produced and Kwam eMakana and Entabeni Homestays were featured in the guide.

c. Intensify Enterprise support and business development

The following actions were undertaken:

- i. Facilitate the registration of 66 close corporations in partnership with SEDA.
- ii. Facilitate registration and support to co-operatives in partnership with SEDA.
- iii. Facilitate registration of six agricultural co-operatives in partnership with SEDA and the Department of Rural Development and Agrarian Reform (DRDAR).
- iv. The following training and capacity building events for SMMEs were organised:
 - Facilitated the training of 60 tourism entrepreneurs on business administration, marketing and financial management.
 - Facilitated the establishment of a Co-operative Development Forum.
 - Facilitated business planning training in partnership with SEDA for Makana Municipality’s SMMEs.
 - Facilitated entrepreneurship and business management training in partnership with Rhodes University Business School.
 - Facilitate access to finance. An amount of R 191.595 was secured from the IDC for SMME strategy development and an informal traders feasibility study.
 - Training with RU-34 SMMEs (including emerging farmers) on business development.
 - Ubugqi Upholstered Furniture Manufacturing Youth Development Co-operative (also facilitated co-op registration). An amount of R 419 000 was approved by the Department of Social Development for a co-operative from Newtown Location.
- v. Facilitate access to finance for the following farms.
 - DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN REFORM
 - CASP (Comprehensive Agricultural Support programme) - the following has been spent/ committed during the year under review:-
 - Salemville - R1.15 million
 - Kuduvalle – R681 000 for fencing
 - Gletwyn Farm – R300 000 for land care
 - Food Security Programme where emerging farmers were assisted with garden inputs such as fertilisers, pesticides, herbicides, etc.
 - Threnthampark – R 48,553
 - Salem – R 48,553
 - Kuduvalle – R 48,713

In essence, an amount of R 2,276,971 was disbursed by DRDAR.

 - Department of Social Development and Special programmes

Apart from facilitating access to finance, the manager had to ensure that the groups meet the funding criteria and therefore facilitated access to land and registration of co-operatives.

- Sinalo Poultry Co-operative – R 596,000 (assisted in compiling a business plan, registration, access to market and access to land). Poultry structure will be built and inputs provided to run the business.
- Zatsoba Co-operative (in Alicedale) – An amount of R 661,000 (Development of business plan).

A total amount of R 1.257 million was made available and it will be spent in the 2012/13 financial year.

Furthermore, in facilitating access to land (through interdepartmental meetings e.g. DTIS and LED); about 160 hectares of land was made available to emerging farmers at Thornpark Farm. An amount of R 186,000 was made available to conduct an Environmental Impact Assessment (EIA). This farm will accommodate small stock such as poultry, piggery as well as vegetable production.

- vi. EXPANDED PUBLIC WORK PROGRAMME (EPWP)
 EPWP has provided an opportunity for the Municipality to create numerous jobs for the community. Through EPWP projects the Municipality has managed to create 312 jobs. Currently the employment rate of EPWP is 34%.

Makana Municipality completed the following projects during the 2011/12 financial year:

- Surfacing of Joza Street – 15 jobs created
- Surfacing of Makana Way – 21 jobs created
- Clean-up campaign (ward based) – 210 jobs created
- Community environmental facilitators – 14 jobs created
- River bed cleaning – 39 jobs created
- Provision of sport facilities at Folly’s Ground – 13 jobs created

The Amathuba Jobs Portal is an EPWP initiative. The objective of the project is to create a database of unemployed people in Makana Municipality. The breakdown of registrations to date by wards is as follows:

WARD	NUMBER OF REGISTRATIONS
1	234
2	131
3	79
4	1
5	181
6	131
7	101

The following table lists the projects and partnerships established and the type of agreement in place.

PROJECT	ORGANISATION	MOU/SERVICE LEVEL AGREEMENT
NDPG	National Treasury National Department of Tourism Izizwe Consulting and Project Engineers	Funding Agreement Funding Agreement SLA
Edu-Tourism	Thina Sinako Grahamstown Foundation	Funding Agreement Partnership Agreement
Small Scale Mining (Kaolin)	ECSECC Zenzele ECDC	MOU MOU
Wind Farm Project	Innowind Rhodes University	MOU MOU
Bio-Mass	Nollen Group	MOU being crafted
Local Tourism organisation	Makana LTO	SLA
National Arts Festival	National Arts Festival	Strategic partnership
Alicedale Development Fund	ECDC ADF	MOU MOU
SEDA	Cacadu District Municipality	MOU

The number of job opportunities that were created through partnerships is listed in the following table:

PROJECT	NUMBER OF CURRENT JOBS	POTENTIAL NUMBER OF JOBS
Makana Edutourism Project	None	5
Alicedale Development Fund	34	0
EPWP	312	+312
Neighbourhood Development Partnership Grant	120	250
National Arts Festival	16	30
Bio-Mass	0	250
Total	482	847

d. Support Social Investment Programme

The number of co-operatives established and the number of SMMEs that were supported in the year under review are detailed above.

3.8.2 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

	Indicator Name	Target Set for the Year	Achievement Level During the Year (absolute figure)	Achievement Percentage During the Year
1	Percentage of LED budget spent on LED related activities	100%	R3,147,580	91%
2	Number of LED stakeholder forum meetings held	5	3	70%
3	Percentage of SMMEs that have benefited from a SMME support programme	50%	40	40%
4	Number of job opportunities created through EPWP	100%	312	34%
5	Number of job opportunities created through PPP	155	155	100%

CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

The Municipality has embarked on numerous programmes that require interdepartmental co-operation. Maximising interdepartmental co-operation within the Municipality remains a stumbling block however, strategies are being put into place to achieve maximum interdepartmental co-operation.

The legislative and policy framework regarding alternative energy poses a threat to the alternative energy projects that the municipality is implementing, especially in terms of power purchase agreements.

Capacity building, buy-in and ownership by beneficiaries for projects that received funding remain a challenge and the municipality is in the process of drafting SMME agricultural and small scale mining strategies to address this. The organisation of the business sector proved to be very challenging and the Municipality will address this by establishing a Mayoral Business Forum. Unnecessary red tape is negatively impacting investment attraction. Funding to draft a red tape reduction strategy is being sought.

COMPONENT D

COMMUNITY & SOCIAL SERVICES

3.10 Libraries; Archives; Museums; Galleries; Community Facilities; Other Services

REPORTING LEVEL	DETAIL	TOTAL
Overview	The provision of accessible community facilities to an acceptable standard for all people in Makana Municipality.	
Description of activity	Provision of: Adequate library services for all sectors of the community. Access to library material for the purposes of education, information, recreation and aesthetic appreciation for all residing within the Makana municipal area. The strategic objectives of this function are to: <ul style="list-style-type: none"> ● Ensure that the residents have access to up-to-date information through libraries. ● Ensure that there are libraries in needy areas. ● Provide an acceptable standard of service for all. ● Decrease the illiteracy rate of the Makana community. 	
Analysis of function	Statistical information: Quantity of materials circulated <ul style="list-style-type: none"> ● Main Library (Hill Street) 57,997 ● Community Library 36,132 ● Duna Library 23,365 ● Fingo Library 41,957 ● Alicedale Library 10,195 ● Riebeeck East Library 13,016 TOTAL 182,662 Number of current patrons <ul style="list-style-type: none"> ● Main Library (Hill Street) 15,164 ● Community Library (Currie Street) 4,335 ● Duna Library 7,325 ● Fingo Library 1,187 ● Alicedale Library 913 ● Riebeeck East Library 347 TOTAL 29,271	
Challenges	<ul style="list-style-type: none"> ● Securing of land to build Riebeeck East Library. ● Children's activities space at Fingo, Riebeeck East and Alicedale Library. ● Office space at Hill Street Library for Mobile Librarian and Library Clerk. 	
Highlights	Libraries <ul style="list-style-type: none"> ● Installation of library detector system and CCTV cameras at Duna, Fingo and Community Libraries ● Providing public access to internet at Fingo and Hill Street Libraries using "Connect with Cacadu". ● Vibrant literacy and audio projects in all libraries. 	

COMPONENT E

ENVIRONMENTAL PROTECTION

3.11 Environmental Management

FUNCTION

To ensure and co-ordinate full integration of environmental considerations, protocols and practices in all Makana Municipality activities.

OVERVIEW

Environmental management is a strategic function providing environmental leadership to the Municipality and the community at large. The Municipality communicates with its partners through the Makana Environmental Forum, a forum of local individuals and organisations with a focus on environmental matters in the Municipality. The municipal environmental programmes and plans are communicated to the public through the quarterly meetings of the Makana Environmental Forum. In 2011, the municipal environmental activities were strengthened by local, regional and international partnerships to sustainably utilise natural resources as a contribution to the strategic objective of developing a green economy within the Makana Municipality. The Municipality was invited by the Swedish International Centre for Sustainable Development together with five other cities in East Africa, Asia and Europe to collaborate on the ecosystem services governance programme to alleviate poverty. This resulted in the Municipality signing a Memorandum of Understanding that brought together teams of stakeholders from Arusha Municipality in Tanzania, Ahmedabad in India, Dhaka in Bangladesh, Malmo in Sweden and Mangaung in South Africa. A delegation from the Municipality, consisting of a local NGO (Umthathi Training Project), a representative of the Makana Youth Group, the Makana Environmental Learning and Research Centre at Rhodes University and two Makana Municipality officials, took part in the Supporting Urban Sustainability Programme (SUS) workshops held in Arusha (Tanzania), Malmo (Sweden) and Grahamstown.

The Makana Municipality also contributed in the deliberation of the United Nations Climate Change Summit (COP 17) through the COP 17 Round Table discussion held in Grahamstown on 16 November 2011. The outcome of the Round Table discussion was the development of a statement, issues and actions relevant to the Makana Municipality by a number of local stakeholders. The Makana statement revolved around five key items identified as critical for the local municipality; these were: environmental education and awareness; improving our water management and use of water resources; food security; energy; and biodiversity.

PROGRAMMES

The implementation of the Makana Local Environmental Action Plan (LEAP) is a strategic project of the environmental management section through the following activities:

1. Implementation of the environmental education and training strategy

This project forms part of and emanates from the environmental education and training strategy identified by the Makana LEAP process. The environmental education and training strategy addresses specific education and training needs of a number of stakeholders within the Municipality, including:

- The general public
- Business and industry
- Municipal employees
- Learners in formal education institutions such as schools
- Livestock owners
- The agriculture and eco-tourism sector

a) THE GENERAL PUBLIC

Fifteen community environmental facilitators from seven wards of the Municipality were appointed in the public environmental education pilot project during the 2010/11 financial year. These individuals were ward based and served to assist their ward councillors, ward committees and the Municipality with community environmental education on waste management at a household level. Training of the candidates was provided by the Rhodes University Environmental Sustainability Unit and Mr Lawrence Sitsika of Umsenge Conservation, Environment and Development Consulting. The initial phase of the community mobilisation programme largely focused on waste management issues and includes a series of mini projects.

b) LEARNERS IN FORMAL EDUCATION INSTITUTIONS SUCH AS SCHOOLS

The public environmental education and training programme of the Municipality is also being implemented at school level in partnership with various local schools. In this regard the Municipality is continuing with the support of eight local disadvantaged schools to be part of the eco-schools projects. The eco-schools programme is designed to encourage curriculum-based action for a healthy environment. The Municipality observes and participates in several important national and international environmental events such as Arbor Day and uses these as a vehicle for the environmental education and awareness campaign.

c) MUNICIPAL EMPLOYEES

The environmental education and training strategy proposes specific education and training interventions, focus areas and programmes, notably municipal employees. For municipal employees, the strategy suggests building capacity for environmental management and sustainable development among all employee categories including councillors and ward committees. A pilot project is being undertaken targeting 20 municipal employees. Over 200 employees in the Parks and Recreation, Water and Sewer and Environmental Health and Cleansing departments have been assessed for the work-based environmental practice programme. A service provider is to assist the Municipality with the training of these employees. Funding is to be accessed from the Environmental Local Government SETA.

2. Local community engagement and public participation processes

The Makana Environmental Forum held various public gatherings in venues within the Municipality this year. Meetings have been held at the Multi-purpose Centre in Joza, Recreational Hall in the northern townships and the Municipal Library. Each of these gatherings revolved around a particular theme, including informal waste pickers in waste management, greening of Makana, green economic development and water issues. The public was engaged through electronic and print media. Regular presentations were delivered at Radio Grahamstown on Thursdays. The local newspaper, Grocott's Mail, also provided editorial space in the form of a column called 'Enviro News'. The column was wholly dedicated to local environmental issues. One of the recommendations of the pilot project on waste management recently undertaken was the formation of an Environmental Task Team in each ward. This task team will ensure that environmental issues are discussed and practical measures are taken to resolve community concerns.

3. Green City Strategy Development

The Makana Municipality has embarked on a Green City initiative that will support the President's commitment to reduce the levels of carbon emissions in South Africa. The Green City concept aims to actualise potential opportunities for the development and co-ordination of the green economy of Makana. The Green City economy will be developed through the sustainable use of environmental resources with the aim of creating local green jobs or green entrepreneurship. The environmental management undertook strategic workshops with internal and external stakeholders and is strategically facilitating a co-ordinated approach towards the development of the Green City strategy by the Municipality. The process entails bringing together all our partners and other interested parties.

4. Supporting Urban Sustainability Programme

A ground-breaking programme brought together teams of stakeholders from Arusha in Tanzania, Ahmedabad in India, Dhaka in Bangladesh, Malmo in Sweden, Mangaung and Makana in South Africa. The programme is offered by SWEDESD, in close co-operation with the Centre for Environmental Education (CEE) based in India, Southern African Development Community's Regional Environmental Education Programme (SADECC), the Stockholm Resilience Centre and the Worldwide Fund for Nature.

The Makana delegation chose to propose a project that would demonstrate that environmental health is essential to long-term food security and to promote sustainable livelihoods where agricultural production and resource conservation positively reinforce each other. A pilot project undertaken in Makana aims to be sustainable, alleviate poverty by creating an income-generating project for the poor and unemployed, and be a pro-poor green economy project.

5. Identification of funding sources for environmental projects

During the current financial year, a number of environmental project proposals have been submitted to funders. These proposals range from the National Youth Service funding for community development, the Job Fund for work seekers, a biogas energy proposal and a proposal for capacity building (Community of Practice for Environmental Managers). Seed funding was secured from SADECC for community capacity building for the SUS programme. Following these developments, we have recently been invited together with Arusha in Tanzania to submit a joint funding proposal for Local Authorities in Development by the European Commission. If successful, an amount of 700,000 Euros will assist Makana and Arusha in Tanzania to capacitate these two municipalities to improve the governance of local ecosystems to develop local economies.

MAIN CHALLENGES

There is a general lack of responsiveness from other spheres of government or institutions, particularly in cases of institutional support and funding sources. Environmental issues are not regarded as a priority by some communities and, to a certain extent, political and economic leaders, as they are perceived as having no immediate economic benefits. Urban communities have a general apathy towards the environment as they perceive themselves as separate entities from the bigger environment in which they find themselves. This creates a tendency of Municipality being seen as the sole custodian of all environmental matters in its jurisdiction. The general lack of funding to initiate community environmental projects remains a threat to the implementation of IDP projects.

3.12 Waste management (Solid)

<p>Strategy and main role player</p>	<p>The overall objective of waste management is to reduce the generation of waste; reduce the environmental impact of all forms of waste to ensure the health of the people of Makana. The Municipality's uncontrolled and unco-ordinated waste management has not adversely affected the quality of its environmental resources.</p> <p>The roles and responsibilities in terms of the National Waste Management Strategy for Local Government include:</p> <ul style="list-style-type: none"> ● Waste minimisation: local government has to implement and enforce appropriate national waste minimisation initiatives and promote the development of voluntary partnerships with industry. ● Recycling: local government is to establish recycling centres and/or facilitate community initiatives. ● Waste collection and transportation: local government is to improve service delivery. ● Waste disposal: local government is to take responsibility for the establishment and management of landfill sites, and to promote the development of regionally based facilities. <p>Formalising and controlling of scavenging is the responsibility of the permit holder.</p>
<p>Level and standard of services</p>	<p>It is expected that every household has access to waste collection services. The Municipality is expected to collect refuse from every household on a regular basis.</p>

<p>ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR REFUSE REMOVAL SERVICES</p>						
<p>Indicator</p>	<p>Total Number of Households/ Customers Expected to Benefit</p>	<p>Estimated Backlogs (actual numbers)</p>	<p>Target Set For the Financial Year Under Review (actual numbers)</p>	<p>Number of Households/ Customers Reached During the Financial Year</p>	<p>Percentage of Achievement During the Year</p>	<p>Major Challenges and Remedial Action</p>
<p>Percentage of households with access to refuse removal services</p>	<p>23 365</p>	<p>0</p>	<p>0</p>	<p>23 365</p>	<p>97%</p>	<p>Old infrastructure that need replacement. A budget of R3.2 million has been set aside to alleviate the situation. Illegal dumping is a major challenge in Makana. The Municipality is engaged in community awareness programmes.</p>

REFUSE REMOVAL	REQUIRED	BUDGETED	ACTUAL	REQUIRED	BUDGETED	ACTUAL
Backlogs to be eliminated (number of households not receiving the minimum standard of service)	0)	0	0	0	0	0
Backlogs to be eliminated (percentage of total households identified as backlog/ total number of households in the Municipality)	0%	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R0	0	0	0	0	0
Spending on renewal of existing infrastructure (R000)	R3.5m	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	R600,000	0	0	0	0	0

3.13 FIRE AND RESCUE SERVICES

Function: Public Safety Sub-Function: Fire & Rescue Section	
REPORTING LEVEL	DETAIL
Overview:	Includes fire-fighting, fire safety and awareness campaigns
Mission statement	It is the mission of Makana Fire and Rescue to create a safer environment for all persons in our society by providing an efficient and effective fire-fighting, emergency, rescue and fire safety service within the framework of the resources available.
Core Functions	<p>Core Functions (As per the Fire Brigade Services Act 99 of 1987)</p> <ul style="list-style-type: none"> • Preventing the outbreak or spread of a fire; • Fighting or extinguishing a fire; • The protection of life or property against fire or other threatening danger; • The rescue of life or property from fire or any other threatening danger; and • The performance of any other function connected with any of the matters related to the above. <p>These functions are performed in accordance with Standard By-Laws relating to Fire Brigade Services, which was promulgated on 11 June 1982 (Provincial notice 661 / 1982)</p> <p>ADMINISTRATION SECTION</p> <p>This section continues with the day to day administrative activities of the fire and rescue section which includes report writing, typing, recording and updating of information and all other related activities as required. This section is headed by the Manager and includes the Station Commander, Senior Clerk and Messenger.</p> <p>OPERATIONAL SECTION</p> <p>This section consists of one (2) Platoon Commander, four (4) Senior Fire Fighters, twelve (12) Fire Fighters and four (4) Retained Fire Fighters. A total of four (4) control room operators and three retained fire fighter posts were filled during this financial year. Two(2) Platoon Commander, eight (8) fire fighter posts are still vacant.</p> <p>The operational section implements the practical aspects relating to fire fighting and other emergency incidents. To achieve its aim this section is responsible for the following:</p> <ul style="list-style-type: none"> • The attendance at and handling of all fires, rescues and emergency incidents. • The acquisition of vehicles and operational equipment. • The maintenance of vehicles and equipment. • The checking and cleaning of fire hydrants. • The training of public by group inspections and lectures.

REPORTING LEVEL	DETAIL
Description of Activity	<p>REDUCTION OF VEGETATION FIRES: The key objective is to try and minimize the amount of vegetation fires. Emphasis is put on:</p> <ol style="list-style-type: none"> 1) Analyzing the risk areas. 2) Training the farmers on proper control burnings tactics. 3) Awareness campaigns involving the Fire Protection Associations, Albany working for Water, Parks Department, and DAFF etc.
Overview:	Includes fire-fighting, fire safety and awareness campaigns
Special Services	<p>SERVICES AT FIRES Annually the Municipality decides on tariff charges, which the department will levy for services rendered. In this tariff layout the cost of the use of fire appliances, service vehicles, staff and equipment, specialized extinguishing media, training etc. are laid down. Due to the fact that the fire department is an emergency service where the majority of its service is of a human nature, income from this source is very low.</p> <p>FIRE PREVENTION Businesses are inspected to ensure that they comply with fire safety regulations.</p> <p>BUILDING PLANS Building Plans are scrutinized to ensure that they comply with fire safety regulations.</p> <p>FLAMMABLE LIQUIDS Flammable Liquid inspections are carried out on businesses that deal with flammable liquids. The annual tariff of charges also makes provision that all businesses dealing in the sale, manufacture, handle or storage of flammable liquids or gases must register and acquire a license from the municipality. An annual license fee for this purpose is therefore payable after safety requirements have been met.</p> <p>FIRE HYDRANTS Fire Hydrants inspections are done regularly to ensure that they are clean, clearly marked and in operation.</p> <p>WATER DELIVERIES As an additional income the department delivers water to farms situated within the protected area upon request. Normal water tariffs, the use of the fire engine plus the distance traveled is charged. Water is also delivered to Rural Communities for the Department of Technical and Infrastructural Services, who is then responsible for the charges.</p> <p>MOTOR VEHICLE ACCIDENTS The department responds to motor vehicle accidents to assist with vehicle extrication, patient treatment, hazardous materials, etc.</p> <p>The department also assists in water deliveries to rural communities in the jurisdiction of the municipality.</p>
Training and Awareness	<p>TRAINING OF STAFF Lectures and practical drills are presented to the staff of the Fire Department on various subjects of fire fighting, rescues, handling of hazardous incidents and legislation applicable to the fire service. This is In - Service training and only focus on preparedness of Fire Fighters to combat fires and other emergencies. A total of eight (6) Fire Fighters were professionally trained in Fire Fighting at Rural Metro Training Centre in Greytown, KZN through Cacadu District Municipality.</p> <p>PUBLIC TRAINING Fire Awareness Campaigns are conducted at rural communities, schools and clinics within Makana to make the community aware of the dangers of fires.</p> <p>Elementary Fire Fighting training is presented to businesses to enable their staff to react immediately when a fire occurs at their workplace whilst still small.</p>

CHALLENGES

1. Lack of a toll-free number for fire services.
2. Water delivery to farm households.
3. Staff shortage and old vehicle fleet.
4. Lack of fire stations in Riebeeck East and Alicedale.
5. Handling of after-hours complaints.

ACHIEVEMENTS

1. Residents were trained on firefighting techniques and more fire fighters were employed.
2. The department received an Award for service excellence from Shepherd Fraternal Unit.

COMPONENT F

HEALTH

Following a Parliamentary decision to provincialise the provision of primary health care, and all staff and assets were transferred to the Provincial Health Department as this component does not apply to the Makana Municipality.

COMPONENT G

SECURITY AND SAFETY

The Makana Municipality does not have an in-house policing force but does actively participate in the Local Safety and Security Forums.

TRAFFIC AND LAW ENFORCEMENT

FUNCTION: PUBLIC SAFETY

Sub Function: Traffic and Licensing

Reporting level	Detail	Total
Overview:	Includes Traffic, Licensing, Road Worthiness and Technical Services	
Description of activities	The key function of the Traffic Department is to provide safer roads for all stakeholders within the Makana area.	
Traffic Law Enforcement	<p>The Municipality has a mandate to:</p> <ul style="list-style-type: none"> • Conduct preventative traffic patrols and enforce traffic legislation • Enforce speed limits • Attend traffic accidents • Enforce parking legislation • Enforce municipal bylaws <p>The key objective of this function is to: Ensure safe and free flow of traffic within Makana Municipal area.</p>	
Driving Licenses	<p>These services include all driver testing functions.</p> <p>The Municipality has a responsibility to :</p> <ul style="list-style-type: none"> • Test applicants and issue learner licenses • Test applicants and issue driving licenses • Renew credit card driving licenses • Renew and issue Professional driving licenses <p>The key objective of this function is to: Ensure safety on the roads by ensuring a high level of competency amongst vehicle drivers.</p>	
Roadworthy testing	<p>These services include all vehicle testing functions. The Municipality has a responsibility to:</p> <ul style="list-style-type: none"> • Test vehicle • Issue roadworthy certificates <p>The key objective of this function is to: Ensure safety on our roads by ensuring roadworthy vehicles</p>	
Technical services	This service is responsible for the maintenance of all road markings and road signs	

Analysis of functions	Number of targeted violations	
	LICENSING OF DRIVERS	
	Unlicensed drivers	756
	Learner drivers without supervision	78
	Other offences related to driving licenses	194
	REGISTRATION/LICENSING OF MOTOR VEHICLES	
	Unlicensed/Unregistered motor vehicles	916
	Other	106
	MOVING VIOLATIONS	
	Driving under the influence	4
	Reckless/Negligent driving	4
	Speeding	2005
	Traffic lights	39
	Stop sign	406
	Other road signs	542
	Illegal overtaking	31
	Lane changes	34
	Other moving violations	170
	STOPPING AND PARKING	
	Stopping	189
	Danger obstruction	68
	Parking vehicle entrance	7
	Exclusive parking bays	39
	Other	301
	LOADS PROJECTIONS	
	Passenger overload	53
	Exceed projection limits	1
	Spillage	10
	VEHICLE DEFECTS	
	Service/parking brake	89
	Tyres	285
	Silencer	4
	Other	200
	SUNDRY	
	Public motor vehicle offences	57
	Municipal bylaws	40
	Safety belt	1541
	Cell phone	208
	Other	245

CHALLENGES FOR NEXT 5 YEARS		
	QUALITY CONTROL CASES:	
	To implement a quality control system whereby control spots will be identified and surveys conducted to determine the adherence rate of the public regarding certain offences. The idea is to have a display board with the results there-on visible to the public. The Department will set a standard for offences; no projects will be held on the offences if surveys prove public adheres to these standards.	
	With this the Department will try and set clear goals for the public to be achieved. This will give the public some sense of ownership and hopefully lead to voluntarily compliance of all traffic rules. If voluntary compliance does not work, we will intervene with law enforcement projects to encourage compliance.	
	ACCIDENT REDUCTION:	
	To use accident database for the identification of accident hotspots and types of offences that cause accidents. These hotspots and causes will then be targeted to reduce accidents.	
	WARRANT REDUCTION:	
	To put in place measures to reduce the amount of outstanding warrants of arrests.	
	TAXI PROJECTS:	
	To implement road safety strategies for Taxi owners and drivers.	
	Law enforcement in conjunction with the objective and goals of the Arrive Alive campaign.	

CHALLENGES ENCOUNTERED IN PROVIDING SERVICES	
Duty hours	
	Officers are still working on Wednesday and Friday nights. These two nights are regarded as the most problematic as this is an active University town with a lot of activities taking place after hours. With the available manpower, this Department can only deploy a few officers during above-mentioned hours.
Lack of overtime	
	Funding challenges and restrictions placed on the working of overtime limits the Departments ability to provide services after hours except for an officer placed on standby to attend to complaints and accidents. Limited prevention and/or high visibility projects can be implemented.
Manpower	
	Manpower in this Department is still a huge challenge. With a vacancy rate of more than 50% for over a year, it is a serious problem and places a huge burden on the remaining officers.

COMPONENT H

SPORT AND RECREATION

3.15. Parks and Recreation

FUNCTION: HORTICULTURE AND AUXILIARY SERVICES SUB-FUNCTION: AERODROME		
Overview:	<p>Makana and the surrounding municipalities are fortunate to have at their disposal a Category 1 licensed aerodrome with an all-weather runway and navigation lights that can accommodate up to a light jet.</p> <p>Compilation of a Service Level Agreement that will see a private aviation company responsible for the day-to-day management of the aerodrome as well as the development of a flying school is currently on hold pending legal and other operational issues.</p>	
Description of activity:	<p style="text-align: center;"><i>Inspections</i></p> <p>The section head carries out regular inspections of the facility with respect to:</p> <ul style="list-style-type: none"> - Maintenance of the tarred and grassed runways - Maintenance of navigational aides - Maintenance of municipal buildings - Maintenance of boundary fences - Rough cutting or burning of outfields <p>The DCA also undertakes annual inspections in support of the retention of the Category 1 Licence.</p> <p style="text-align: center;"><i>Administration</i></p> <p>Collection of landing fees</p> <p>Challenges The continued deterioration of the main tarred runway due to the use of heavy aircraft by SAFAIR undertaking military exercises with SANDF. Their failure to respond to appeals for financial assistance regarding the maintenance of the facility, together with the fact that the runway was not designed for AUW in excess 10,000kg.</p> <p>Achievements Commendation from DCA for maintaining one of the best Category 1 aerodromes in the country.</p>	<p>Twice monthly</p> <p>Annually</p>
Overview:	<p>This sub-function includes a number of sections including maintenance of grass verges and public open space, planted layouts, street trees and weed control.</p>	
Description of activity:	<p>The services provided include:</p> <ol style="list-style-type: none"> 1. Mowing of verges of Grahamstown, Alicedale and Riebeeck East including main entrances, CBD, arterial roads, suburban roads and council facilities. 2. Mowing of public open space with tractor drawn implements. 3. Maintenance of gardens and planted layouts within the City. 4. Maintenance of street trees including tree planting and the maintenance of trees under power lines as well as the removal of trees where required. 5. Manual tree stump removal. 6. Weed control that includes the eradication of weeds and annual grasses on roads, gutters and storm-water channels. 	<p>17,700,000 m²</p> <p>43,600,000 m²</p> <p>2,500 m²</p> <p>0</p> <p>121</p> <p>2,000,000 m²</p>

FUNCTION: HORTICULTURE AND AUXILIARY SERVICES SUB-FUNCTION: CEMETERIES		
Overview:	This sub-function includes the maintenance of cemeteries in Grahamstown, Alicedale and Riebeeck East.	
Description of activity:	<p>The services provided include:</p> <ol style="list-style-type: none"> 1. Administration of electronic burial recording system 2. Cemetery maintenance 3. Contract management <p>CHALLENGES Theft of artifacts and metal railings. Funding to maintain cemeteries.</p> <p>ACHIEVEMENTS Contracts for the maintenance of grassed areas: Waainek, Mayfield, Historical, Lavender Valley and Kings Flats cemeteries. Extensions to Mayfield, Waainek, including additional service roads for Mayfield. Planted a further 100 trees at Mayfield Cemetery.</p>	± 875 burials annually
FUNCTION: HORTICULTURE AND AUXILIARY SERVICES SUB-FUNCTION: NURSERY		
Overview:	The nursery is maintained for the production of greening material for the Municipality.	
Description of activity:	<p>The services provided include:</p> <ol style="list-style-type: none"> 1. The production of ground covers, shrubs and trees. 2. Maintenance of ornamental section for decorations. 3. Production of annuals for street displays 4. Sales to public 5. Support to the Millennium Tree Planting Initiative that sees approximately 1,200 trees planted throughout Makana Municipality annually. <p>CHALLENGES Maintaining a cost-effective centre and water deliveries due to water outages.</p> <p>ACHIEVEMENTS</p> <ol style="list-style-type: none"> 1. Renovation of hardening off section for shrubs. 2. Retention centre for approximately 2,000 trees for funded projects. 3. Growing of 2,650 trees and a further 1,690 indigenous shrubs. 	
FUNCTION: HORTICULTURE AND AUXILIARY SERVICES SUB-FUNCTION: PROJECTS		
Overview:	Includes funded projects including that of the Botanical Gardens that have been or are to be outsourced.	
Project description	<p>Funded projects include:</p> <ol style="list-style-type: none"> 1. Botanical Gardens 2. Kowie Catchment Campaign 3. Greening Project 4. MTPP (Logistical) <p>Challenges</p> <ul style="list-style-type: none"> ● Manpower to monitor and evaluate projects. ● Funding for the project has been temporarily withdrawn but the project is scheduled to continue in the 2nd quarter. <p>Achievements</p> <ol style="list-style-type: none"> 1. Continuation with 10 Million Greening Project with Afri-Coast Engineering as the service provider. Sani Park and has been completed, Zion Dam is 90% completed, the Spring is 80% complete and Phumlani Park is 75% complete. 	R19-million R30,000 R10-million

FUNCTION: HORTICULTURE AND AUXILIARY SERVICES SUB-FUNCTION: PROJECTS		
Overview:	The Municipality owns approximately 7,500 hectares of commonage and farms maintained for various uses including a conservancy, hiking trails, stock-farming, catchment management, education and cultural purposes.	
Description of activity:	<p>The services provided include:</p> <ol style="list-style-type: none"> 1. Member of the Oldenburgia Conservancy comprising about 8,000 hectares constituted in 2008. 2. Maintaining infrastructure on commonages and farms including fencing, stock-watering , kraals, branding, dipping, roads and footpaths as well as stray animal control. 3. Partner with the Albany Working for Water Project taking place on municipal commonage and farms that embraces the eradication of alien invasive plants and the restoration of the veld to its natural state. 4. Fire Protection Programme that includes the preparation and burning of fire breaks and control blocks as well as fire-fighting services in the event of runaway fires. 5. The maintenance of the newly acquired Blaauwkrantz and Ecce Pass Nature Reserves. 6. Maintenance of the Oldenburgia Hiking Trail. <p>CHALLENGES Funding remains a challenge for all the sub-sections as there is a lack of personnel to carry out all the functions.</p> <p>ACHIEVEMENTS</p> <ol style="list-style-type: none"> 1. Finalisation of Oldenburgia Conservancy Constitution. 2. MIG approval for funding replacement of 14km of boundary fence at Riebeeck East. 	<p>8,000 ha</p> <p>4,500 ha</p> <p>R315,000</p> <p>R 500,000</p>
FUNCTION: COMMONAGE, FARMS AND NATURE RESERVES SUB-FUNCTION: PROJECTS		
Overview:	Includes funded projects in relation to commonage, farms and nature reserves	
Project Description	<p>Funded projects include:</p> <ol style="list-style-type: none"> 1. Eradication of alien invasive plants 2. Fencing project 3. Pound 	
Overview:	Dog Tax Account	
Project Description	<p>The services provided include:</p> <p>Notices were served in the event of breach of the relevant by-laws, ie:</p> <ol style="list-style-type: none"> 1. Dogs in excess of allowed number 2. Behavioural problems with dogs 3. Capture and impoundment of dogs where municipal by-laws are breached. 	
FUNCTION: SPORT AND RECREATION SUB-FUNCTION: STADIA, SPORTS GROUNDS AND PLAYGROUNDS		
Overview:	This sub-function includes a number of sporting and play facilities situated in Rhini, Grahamstown, Alicedale and Riebeeck East.	
Description of Activity:	<ol style="list-style-type: none"> 1. Maintenance of Indoor Sport Centre as well as bookings for various sporting codes. 2. Maintenance of sport grounds including Dlepo Stadium, Mikiy Yili Stadium, The Oval, Foley's Ground, Sunnyside, Lavender Valley, Fiddlers Green, Kwanonzwakazi, Kwanonzamo and Transrivieren as well as the bookings for these venues. 3. Maintenance of three playgrounds. <p><u>Challenges</u></p> <ul style="list-style-type: none"> - Vandalism of playgrounds - Vandalism of Oval Sport Ground buildings - Filling of vacant posts - Unfunded projects - Ageing infrastructure 	

FUNCTION: SPORT AND RECREATION SUB-FUNCTION: PROJECTS, PARTNERSHIPS AND AGREEMENTS		
Overview:	Includes funded projects, functional partnerships and agreements with outside organisations.	
Description of Activity:	<ol style="list-style-type: none"> 1. The commissioning of a new clubhouse and ablutions facility at the Millennium Cricket Stadium. 2. Commencement with the NDPG-funded node two at Lavender Valley Recreational Park. 3. Tri-partite partnership between Makana Municipality, Department of Sport, Recreation, Arts and Culture (DSRAC) and Rhodes University. 4. Functionary within the Makana Sports Council. 5. Representation on the Cacadu Sports Council. 6. Representation on the Eastern Cape Provincial Sports Council. 7. Aerobics programme. 8. Sport programme for prison inmates in partnership with the Department of Correctional Services. 9. Mass Participation Project DSRAC funded and supported projects aimed at areas of high crime and poverty. 10. Develop and upgrade rural sports facilities. 11. Summer 'Come and Play' programme. 	<p>R 3.1-million</p> <p>R 30,000</p>

COMPONENT I

CORPORATE POLICY OFFICES AND OTHER SERVICES

3.16. FINANCIAL SERVICES

Finance and Administration functions' performance

INTRODUCTION FINANCIAL SERVICES

Overview:

The Finance Directorate is responsible for all financial-related activities such as creditors payments (including payroll administration), creditors control, indigent control, meter reading, budget and financial statements preparation, insurance, VAT control, implementing financial-related legislation, circulars, gazettes, supply chain management, procurement, financial management, statutory reporting, grants and stores in line with the requirements as legislated in the Municipal Finance Management Act, Division of Revenue Act and Municipal Financial Policies.

Finance and Administration Directorate is sub-divided into the following sections/units: Revenue Management, Expenditure Management, Special Projects and Supply Chain Management.

Description of Activity:

- 1) Creditors Control Section – Administers all payments made to our creditors through electronic transfer payments and cheque payments are made as a backup to the electronic payments. Furthermore, this section is in charge of arrears debt collection.
- 2) Indigent Control – Ensures that qualifying households are given access to free basic services.
- 3) Meter Reading – The accuracy of municipal accounts depends on the meter readers providing accurate readings for both electricity and water.
- 4) Supply Chain Management Unit – Responsible for the procurement, receiving, storage and distribution to primary users.
- 5) Expenditure Management – Responsible for functions such as budget preparation, administration, management, financial statements preparation, VAT control and insurance.
- 6) Special Projects – Responsible for reporting to National and Provincial Treasury, bank reconciliations and asset management.

Statistical Information on Debtor Billings

The Finance Directorate bills more than 27,271 account holders on a monthly basis. Ratepayers who fall within the category of indigent receive a subsidy for municipal services in terms of the Assistance to the Poor/ Indigent Policy.

CONSUMER DEBTORS

As at 30 June 2012, a total of R130.9-million (2010: R126.1-million) were past due date but not impaired.

BAD DEBTS WRITTEN OFF

An amount of R0 (2011: R12.45-million) was written off this year.

PROPERTY RATES

Refer to note 21 of the Annual Financial Statements for more detailed analysis.

INDIGENT POLICY

The Municipality developed an Indigent/ Assistance to the Poor Policy which gives guidance on the qualifying criteria to be eligible for benefits. The measurement used for indigent households is the total household income, which must be less than two state pensions per month. The household income excludes any grants that are received relating to child welfare (eg. child maintenance grants, child support grants, etc). Qualifying households receive rebates on their rates, sewerage, refuse, 10kl water and 50kwt electricity.

CREDITOR PAYMENTS

The Finance Directorate ensures that all creditors are paid timeously within the required number of days (30 days of receipt of an invoice) as legislated in the Municipal Finance Management Act. There are cases where the 30-day turnaround period is not achieved; however, this is kept to a minimum.

CREDIT RATING

The rating of Makana Municipality is performed by Moody's International Rating Agency. The last time the rating was conducted was the 2008/09 financial year, where the Municipality attained a Baa2.za rating, indicating a stable performance.

EXTERNAL LOANS

Note 16.1 on the Summary of Arrangements, an approval for securing a R50-million loan from DBSA, to be paid over a period of three years, was made in this financial year. However, the utilisation thereof is earmarked for the 2011/12 financial year.

3.17. HUMAN RESOURCE SERVICES

PRESENTATION OF THE ORGANISATIONAL STRUCTURE

During the year under review the Makana Municipality undertook a review of its organisational structure. There are 823 approved positions in the organisational structure of which 587 are filled, resulting in a 29% vacancy rate and 61 vacant posts are earmarked to be filled during 2010/11 financial year. All the Senior management positions (Section 57 Posts) are filled. The Municipal Manager and the directors have signed Performance Agreements and Employment Contracts.

3.18. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

An assessment of the extensive use of Information Technology and Information Systems requirements as well as the protection of both the integrity and correct usage of the IT resources. Upon completion of this exercise, the design and implementation of formal controls of IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information will be pursued.

CHAPTER 04

ORGANISATIONAL DEVELOPMENT PERFORMANCE



COMPONENT A

INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1. Employees Totals, Turnover and Vacancies

4.1.1. MUNICIPAL MANAGER AND SECTION 57 MANAGERS

	APPROVED POSITIONS (E.G MM-S57 ETC)	NUMBER OF APPROVED AND BUDGETED POSTS PER POSITION	FILLED POSTS	VACANT POSTS
1	Municipal Manager	1	Yes	0
2	Director Corporate Services	1	Yes	0
3	Director Finance Services	1	Yes	0
4	Director Local Economic Development	1	Yes	0
5	Director Technical & Infrastructure	1	Yes	0
6	Director Community & Social Services	1	Yes	0
	Total	6	Yes	0

4.1.2 FULL TIME STAFF COMPLEMENT PER FUNCTION

1. EXECUTIVE MAYOR'S OFFICE – CLR ZJ PETER

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Communications Officer	1	1	0
Events Co-ordinator	1	0	1
Manager: Mayor's Office	1	0	1
PA to Executive Mayor	1	0	1
Coordinator: Disabled	1	0	1
Coordinator: Youth	1	0	1
PA	1	1	0
Driver Security	1	0	1
Special Programmes Officer	1	1	0

2. MUNICIPAL MANAGERS OFFICE – MS NL BAART

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Manager: Support Services	1	1	0
PA to Municipal Manager	1	1	0
IDP/PMS Manager	1	1	0
Clerk PMS/IDP	1	1	0

3. OFFICE OF THE SPEAKER – CLR MADINDA-ISAAC

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Executive Secretary PA	1	0	1
Constituency Development Officer	1	1	0

4. LOCAL ECONOMIC DEVELOPMENT – MS RIANA MEIRING

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Director: LED	1	1	0
Manager: Trade/ Investment	1	1	0
Clerical Assistant	1	1	0
Secretary to Director	1	1	0
Manager Agriculture	1	1	0
Cleaner	1	1	0

5. CORPORATE SERVICES DIRECTORATE – MRT KLAAS

5.1. ADMINISTRATION

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Director	1	1	0
Assistant Director (deletion)	1	1	0
Senior Admin Officer	1	1	0
Senior Committee Clerk	1	1	0
Committee Clerk	1	1	0
Replicator Driver	1	1	0
Senior Typist	1	0	1
Typist	1	0	1
Chief Clerk	1	0	1
Registry Clerk	1	1	0
Records Clerk	2	2	0
Switchboard Operator	1	1	0
Civic Amenities Clerk	1	0	1
Senior Civic Hall Caretaker	2	2	0
Civic Hall Caretaker	3	3	0
Caretaker Assistant	3	3	0
Cleaner	2	1	1

5.2. HUMAN RESOURCES

CITY HALL	APPROVED POSTS	FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
HR Practitioner	1	1	0
Senior Admin Officer	1	1	0
Personnel Clerk Grade 1	1	1	0
Personnel Clerk Grade 2	1	1	0
Industrial Relations Officer	1	0	1
EAP Officer	1	1	0
Skills Development Officer	1	1	0
Secretary	1	1	0

6. FINANCIAL SERVICES DIRECTORATE – DIR. J NGCELWANE (SUSPENDED)

APPROVED POSITION	NUMBER OF APPROVED POSTS PER POSITION	FILLED POSTS	VACANT POSTS
Director	1	1	0
Secretary	1	1	0
FINANCIAL ACCOUNTING			
Accountant	1	1	0
Principal Clerk	1	0	1
Manager: Supply Chain	1	1	0
Supply Chain Officer	1	1	0
Buyer	1	0	1
Clerk	1	1	0
Storeman	1	1	0
Assistant Storeman/Clerk	1	1	0
Assistant Storeman	1	0	1
Clerk Grade 2 (Fuel)	1	0	1
Stores Attendant	1	1	0
EXPENDITURE			
Deputy Director	1	1	0
Administrative Officer	1	1	0
Senior Clerk (Creditors)	1	1	0
Clerk Grade 1	1	1	0
Clerk Grade 2	1	1	0
Creditor Clerk	2	2	0
Driver/Operator	1	0	1
INCOME			
Assistant Director: Revenue	1	1	0

7. TECHNICAL AND INFRASTRUCTURAL SERVICES DIRECTORATE – DIR. D NJILO

7.1. HOUSING AND ESTATE

ADVERTISING POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Assistant Director	1	0	1
Housing Manager	1	0	1
Senior Admin Officer	1	1	0
Admin Officer	1	0	1
Clerk Grade 1	3	3	0
Data Capturer	1	0	1
Messenger/Driver	1	0	1

7.2. TOWN PLANNING

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Manager: Town Planning and Land Use	1	1	0
Town Planners	3	2	1
Town Planning Assistant	1	0	1
Clerk Grade 1	1	1	0
Building			
Building Control Officer	1	1	0
Building Inspector	3	3	0
Typist Clerk Grade 3	1	0	1

7.3. CIVIL ENGINEERING – MS. P BOOI

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Deputy Director	1	1	0
Assistant Director: Roads	1	1	0
Assistant Director: Water	1	1	0
Senior Mechanic	1	1	0
Administrative Assistant: Fleet	1	0	1
Mechanic	3	1	2
Trade Worker Special Grade	3	2	1
Trade Worker Grade	3	1	2
Senior Technician: Roads	1	0	1
Foreman: Roads	2	2	0
Operator: Special Grader	2	1	1
Operator Grade 2/1	4	4	0
Truck Driver	6	6	0
Supervisor Driver: Roads	6	1	5
Operators Grade 3	2	0	2
General Workers: Roads	52	47	5
Supervisor: Stormwater	2	2	0
Handyman	2	1	1
General Worker: Stormwater	10	10	0

7.4. WATER AND SANITATION – MR. L MASHIYA

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
Senior Technician	2	1	1
Technicians	4	4	0
Waterworks/ Wastewater Operators	13	4	9
Waterworks/Wastewater Shiftsman	16	12	4
General Worker	18	5	13

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Artisan Plumbers	7	2	5
Trade Worker Grade 4/3/2/1	9	0	9
Supervisor Driver	8	3	5
Sewerage Worker	36	24	12

7.5. ELECTRICAL DEPARTMENT – MR. J SITETO

7.5 (a) Administration and Technical

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Deputy Director	1	1	0
Senior Superintendent	1	0	1
Electrician	1	0	1
Artisan Assistant	1	0	1
Electrical Technician	1	0	1
Electrical Trade Worker	1	0	1
Technical Officer	1	1	0
Technical Assistant	1	1	0
Revenue Protection Office	1	0	1
Typist Clerk Grade 1	1	1	0
Messenger Cleaner	1	1	0

7.5 (b) Distribution

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
Senior Foreman: Distribution	1	1	0
Electricians	9	7	2
Artisan Assistant	11	8	3
Supervisor: High Mast	1	0	1
Light Fitter: High Mast	1	1	0
Artisan Assistant	1	1	0
Street Lighter	2	2	0
Supervisor: Trenching	1	1	0
Senior Worker	9	7	2
Storeman	1	1	0
General Worker	1	1	0

7.6. PROJECT MANAGEMENT UNIT

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
PMU Manager	1	0	1
Senior Technician	2	2	0
Financial Controller	1	0	1
Social Facilitator	1	0	1

8. COMMUNITY AND SOCIAL SERVICES DIRECTORATE – MR. M PLANGA

8.1. FIRE AND RESCUE

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Manager	1	1	0
Senior Clerk	1	1	0
Platoon Commander	4	2	2
Senior firefighter	8	4	4
Control room operator	4	4	0
Senior firefighter	5	5	0
Retain fir fighter	5	5	0
Firefighter/Junior firefighter	20	12	8
Station Commander	1	1	0

8.2. TRAFFIC DEPARTMENT – MR. C HANEKOM

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
Asst. Superintendent law enforcement	1	1	0
Senior Traffic officer	3	2	1
Traffic officer grade 2/3	7	6	1
Assistant Superintendent (Licensing)	1	0	1
Examination testing and Technical Foreman	1	0	1
Road signs(Driver/Supervisor)	1	0	1
General worker	4	4	0
Vehicle examiner	1	0	1
Examiner Assistant	1	0	1
Driver testing Officer	2	2	0
Senior Licensing Officer	1	1	0
Licensing Officer	1	0	1
Clerk Grade 1	2	2	0
Senior Clerk	1	1	0
Data Clerk Grade 2	2	1	1

8.3. ENVIRONMENTAL HEALTH AND CLEANSING

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
Senior Environmental Health Officer	1	0	1
Environmental Health Officer	5	2	3
Licensing Clerk	1	1	0
Admin Clerk Grade 1	1	1	0
Assistant Superintendent	1	1	0

ADVERTISED POSTS	NUMBER OF APPROVED POSTS	NUMBER OF FILLED POSTS	VACANT POSTS
Driver Compaction	3	2	1
Senior Worker	23	23	0
Driver Operator(tractor/trailer)	1	1	0
General Worker	25	25	0
Driver (CM 10)	1	1	0
Operator Front End	1	1	0
Driver Tipper Truck	4	3	1
Tractor Driver(Skips)	1	1	0
Supervisor Driver	2	2	0
Bulldozer Driver	1	1	0
Gatekeeper	1	1	0
Pest Controller	2	2	0
Driver/Supervisor	1	1	0
Street Cleaner	13	13	0
Toilet Cleaner	7	7	0

8.4. PARKS DEPARTMENT – MR. K BATES

APPROVED POSITIONS	NUMBER OF APPROVED POSTS PER VACANCY	FILLED VACANCY	VACANT POSTS
Assistant Director	1	1	0
Superintendent	1	1	0
Sport and Recreation Officer	1	1	0
Clerk Grade 3	1	1	0
Typist/ Clerk Grade 1	1	1	0
Foreman	1	1	0
Driver Operator	1	1	0
Lumber Worker	5	5	0
General Workers	24	13	11
Tractor Driver	4	2	2
Horticultural Assistant	1	0	1
Caretaker	3	2	1
Machine operator	20	17	3
Caretaker Assistant	2	0	2
Cemetery Attendant	1	1	0
Supervisor Operator	1	0	1
Supervisor Driver	3	1	2
Leading Hand	2	2	0
Commonage Technician	1	1	0
Artisan Assistant	1	0	1
Senior Worker	3	3	0

8.5. LIBRARIES – MS. P VUBELA

POSITION	APPROVED POSTS	FILLED POSTS	VACANT POSTS
Assistant Director	1	1	0
Librarian	6	5	1
Librarian Assistant	12	11	1
Library Cleaner	7	7	0
Security Guard	1	1	0
Senior Librarian	1	1	0
Junior Librarian Assistant	1	0	1
Librarian Helper	1	1	0

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

	Indicator Name	Total Number of People (planned for) During the Year Under Review	Achievement Level during the Year Under Review	Achievement Percentage During the Year Under Review	Comments on the Gap
1	Vacancy rate for all approved and budgeted posts	57	37	65%	The outstanding 20 posts have been advertised but need to be shortlisted and interviews conducted
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	0	0	0	All strategic posts have been filled
3	Percentage of Section 57 Managers including Municipal Managers who attended at least one skills development training course within the financial year	6	6	100%	
4	Percentage of Managers in Technical Services with a professional qualification	7	6	98%	Updates and refresher courses to be attended
5	Percentage of municipalities within the District that have a fully functional Performance Management System (District Municipality only)	NOT APPLICABLE			
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current five year term	612	520		Competency profile not included. Abet, finance, management, administration, computers and on duty training
9	Percentage of Councillors who attended skills development training within the current five year term	24	19	90%	Computer literacy, time management, leadership and municipal finance training needed
10	Percentage of staff complement with disability	1	1	100%	
11	Percentage of female employees	131	131	100%	
12	Percentage of employees that are aged 35 or younger	57	44	77%	

COMPONENT B

MANAGING THE MUNICIPAL WORKFORCE

4.2. IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM (PMS):

4.2.1 INDIVIDUAL PERFORMANCE MANAGEMENT SYSTEM

The Performance Management System currently implemented at top management level has not been implemented at other level. It was expected to be implemented at Assistant Director level in the year under review. All section 57 employees have signed performance agreements in line with the relevant legislation.

The implementation of the Performance Management System (PMS) has not progressed to the lower levels and as such performance rewards were only applicable to the directors subject to performance review. The PMS will be implemented during the next financial year.

4.2.2 INSTITUTIONAL PERFORMANCE MANAGEMENT SYSTEM

The Municipality Performance Management Policy Framework is currently under review. The monitoring of the implementation of the Service Delivery Budget Implementation Plan is reported in the monthly, quarterly, mid and annual Performance Reports.

Major challenges and remedial actions with regard to Human Resource and Organisational Management

The Makana Municipality continues to face challenges related to the inability to retain key technical skills such as town planners, water operators, electricians etc. As a response to this challenge, the Makana Municipality has developed and adopted a Scarce Skills and Retention Policy. The Scarce Skills and Retention Policy seeks to provide a framework for the retention of critical skills and also provide incentives for such skills. (deleted copy)The Department of Health in an attempt to provide uniform Conditions of Service has embarked on a process of "provincialisation" of primary health services.

A Human Resources Manager was appointed during the year under review. Due to organisational growth and new challenges, the Municipality embarked on a review of its organisational structure. This was done through a participatory process. A final workshop was requested by stakeholders and would be arranged in the near future.

During the year under review, the Makana Municipality undertook a review of its organisational structure. There are 823 approved positions in the organisational structure of which 587 were filled, resulting in a 29% vacancy rate. Sixty-one vacant positions are earmarked to be filled during the 2011/12 financial year. The Municipal Manager and the Directors have signed performance agreements and employment contracts. Because the Municipality is performing at a low capacity and receiving bad audits results every year, it was resolved that an organisational development exercise will be undertaken.

4.3. INJURIES, SICKNESSES AND SUSPENSIONS

4.3.1 COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

Two suspensions took place during the year under review. Both the Municipal Manager and the Chief Financial Officer were suspended on allegations of contract irregularities in the Finance Department.

COMPONENT C

CAPACITATING THE MUNICIPAL WORKFORCE

4.4. SKILLS DEVELOPMENT AND TRAINING

During the financial year under review the Makana Municipality developed and adopted the Work Place Skills Plan which was forwarded and approved by the Local Government SETA (LGSETA). A new training committee was established and comprising of management, councillors and union representatives.

The following training programmes were undertaken with regard to staff development:

DETAILS	TRAINING UNDERTAKEN
Staff:	<ul style="list-style-type: none"> • CPMD • Drivers Examiners • Examiner Vehicle • Customer Care • Recruitment and Selection • Fire Prevention Safety Strategies • Level 4 with Abet • Financial Management Skills • Manual Records Management • Microsoft Excel • Local Government Performance Management Workshop • Expenditure and Revenue Management • Plumbing • Elementary Breathing Apparatus • Library • Contract Management • The Hand of Safety Workshop • Employment Equity Workshop • Skills Development • LED • IDP • Project Management • Labour Intensive Construction Management • Disaster Management • Introduction to Linux for Local Government • AARTO Development • Improving Workplace Management Financial Skills • Water Services • Archives and Records Management • Electrical Pre-Trade Test • Grader operator • Systematic Implementation of Disposal • Dam Maintenance and Rehabilitation
Councillors	<ul style="list-style-type: none"> • Advanced Diploma in Local Government Law and Administration • Disaster Management Course • Consultation on Disability Policy Strategic Plan • LED • IDP • Project Management • Effective Public Speaking for Local Government Councillors

4.4.1 ALL STAFF REGISTERED WITH PROFESSIONAL BODIES

Technical Services	Total Number of Technical Services Managers	Total Number Registered with Accredited Professional Body	Total Number Pending Registration Confirmation with Accredited Professional Body	Total Number not Registered with Accredited Professional Body
Water	1	1	0	0
Electricity	3	2	0	1
Technical	4	2	0	2
Town Planning	2	1	0	1
Project Management Unit	1	0	0	1

4.4.2. LEVELS OF EDUCATION AND SKILLS

Total Number of Staff	Number of Staff Without Grade 12	Number of Staff with Senior Certificates Only	Number of Staff with Tertiary/ Accredited Professional Training
612	323	139	150

COMPONENT D

MANAGING THE WORKFORCE EXPENDITURE

4.5. EMPLOYEE EXPENDITURE

Financial Year	Total Number of Staff	Total Approved Operating Budget	Personal Expenditure (Salary Related)	Percentage of Expenditure
2007-2008	529	116 910 650	5 290 8328	45.26%
2008-2009	558	13 396 6870	620 222 68	45.26%
2009-2010	569	17 7375 950	78 292 587	44.14%
2010 – 2011	621	256 717 030	100 068 342	38,98%

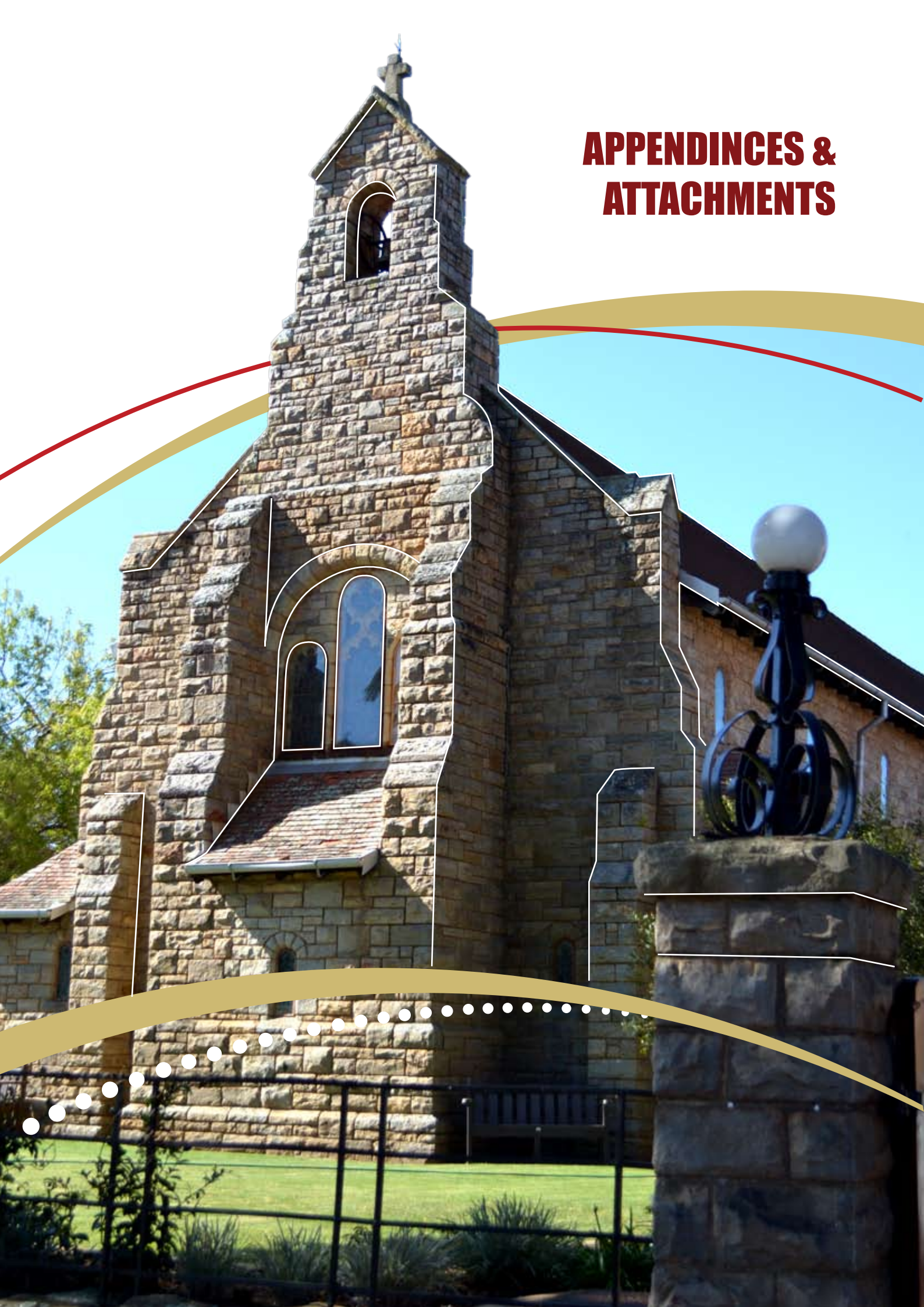
4.5.1 LIST OF PENSION AND MEDICAL AID SCHEME TO WHICH EMPLOYEES BELONG

Names of Pension Fund	Number of Staff	Name of Medical Aids	Number of Staff
Cape Joint Pension Fund	0	Bonitas	156
Cape Joint Retirement	176	LA Health	109
SALA Pension Fund	20	Samwumed	86
SAMWU Provident Fund	345	Key Health	27
		Hosmed	5

4.5.2 EMPLOYEE RELATED COSTS (SECTION 56 / 57 EMPLOYEES, OTHER STAFF MEMBERS AND ALSO COUNCILLORS)

	2011 R	2010 R
Employee Related Costs		
Salaries	62,897 269	52,992 171
Contribution to UIF, pension and medical aid	14,227 343	12,682 598
Travel, motor car, accommodation, substances and other allowances	2,861 688	1,807 227
Housing benefit	406,381	443,217
	<u>98,540 462</u>	<u>75,926 325</u>

APPENDICES & ATTACHMENTS



APPENDICES

APPENDIX A

COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

ORG	WARD	NAME & SURNAME
ANC	PR	Bonani B
DA	03	Booyesen Marcelle Carmel
DA	12	Fargher Brian William
ANC	PR	Gaga N: Chairperson – Infrastructure Portfolio Committee
ANC	11	Gojela Mncedisi
DA	08	Jackson Brian Peter Neville
ANC	9	Kholiswa Jela
ANC	14	Enerst Louw
ANC	10	Kolisi Vuyani: Chief Whip
ANC	7	Khubalo Malibongwe
ANC	13	Madinda Mthuthuzeli
ANC	PR	Madinda Rachel Misiwe: (Speaker)
DA	PR	Madyo Xolani
ANC	6	Masoma N: Chairperson – Tourism And Cultural Industries Portfolio Committee
ANC	PR	Matyhumza Mtutuzeli: Chairperson – Social Development Portfolio Committee
DA	04	May Lena C
ANC	10	Meti Nomathamsanqa
ANC	PR	Ngeleza Thuleka
ANC	01	Ngoqo Nomhle Judith
ANC	PR	Notyawa Mbulelo Paul G: Chairperson - Local Economic Development Portfolio Committee
ANC	PR	Peter Zamuxolo: Executive Mayor
COPE	PR	Plaatjie Ruth
ANC	PR	Piryawaden Ranchhod: Chairperson – Finance, Administration, Monitoring & Evaluation Portfolio Committee
DA	PR	Reynolds Les
ANC	PR	Tyantsula Nonzameko C.
ANC	05	Tame Monwabisi Southey
MIND	PR	Waldick Devon Lloyd
ANC	PR	Wells Julia C.

APPENDIX B

COMMITTEES AND COMMITTEE PURPOSES

PORTFOLIO COMMITTEES	CHAIRPERSONS	MEMBERS	COMMITTEE PURPOSE
Social Development Portfolio Committee	Clr. M. Matyumza	Clr. X. Madyo Clr. M. Khubalo : Whip Clr. B Fargher Clr. J. Wells Clr. V. Kolisi Clr. K Jela-Solomon Clr. L. May	To deliberate and decide on the rendering of Community services and Social Services
Finance, Administration, Monitoring & Evaluation Portfolio Committee	Clr. P Ranchhod	Clr. B. Fargher Clr. L. Reynolds Clr. N. Meti Clr. T. Ngeleza : Whip Clr. N. Gaga Clr. V. Kolisi	To deliberate and decide on Financial and Administrative matters. Also to oversee the Monitoring and Evaluation function of the Municipality
Infrastructure Development Portfolio Committee	Clr. N. Gaga	Clr. B. Bonani Clr. M. Tame Clr. E. Louw : Whip Clr. P. Ranchhod Clr. M. Madinda Clr. L. Reynolds	To deliberate and decide on Infrastructural development matters.
Local Economic Development Portfolio Committee	Clr. P. Notyawa	Clr. N. Masoma Clr. M. Matyumza Clr. D. Waldick Clr. N. Ngoqo Clr. N. Plaatjie Clr. B. Bonani : Whip Clr. B. Jackson	To deliberate and decide on matters related to Local Economic Development, Agriculture and rural development.
Tourism & Cultural Industries Portfolio Committee	Clr. N. Masoma	Clr. B. Jackson Clr. J. Wells : Whip Clr. P. Notyawa Clr. E. Louw Clr. N. Tyantsula Clr. M. Gojela Clr. M. Booysen	To deliberate and decide on Tourism, Heritage and creative industries.

APPENDIX C FUNCTIONS OF THE MUNICIPALITY

PART B OF SCHEDULE 4	PART B OF SCHEDULE 5
Air pollution	Beaches and amusement facilities
Building regulations	Billboards and the display of advertisement in public places
Child care facilities	Cemeteries, funeral parlours and crematoria
Electricity and gas reticulation	Cleansing
Fire fighting services	Control of undertaking that sell liquor to the public Noise pollution
Local tourism	Facilities for the accommodation, care and burial of animals
Municipal Airports	Fencing and fences
Municipal planning	Licencing of dogs
Municipal health services	Licensing and control of undertakings that sell food to the public
Municipal public transport	
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	Local amenities
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Local sport facilities
Stormwater management systems in built-up areas	Markets
Trading regulations	Municipal abattoirs
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Municipal parks and recreation
	Municipal roads
	Noise pollution
	Pounds
	Public places
	Refuse removal, refuse dumps and solid waste disposal
	Street trading
	Street lighting Local amenities
	Traffic and parking

APPENDIX D WARD REPORTING

Report on Establishment and Activities of the Ward Committees Under the Office of the Speaker

The constitution of the country places an obligation on all local municipalities to establish ward committees immediately after the local government election. The primary function of the ward committee is to be a formal communication channel between the community and the council. After the induction of our councilors the Speaker called for the establishment of ward committees which kicked off on the 1st August 2011 until 22 September 2011. To date Makana has managed to establish committees in all its wards except for ward 12.

APPENDIX E WARD INFORMATION

WARD 1

Ward Councillor:

Cr Ngoqo

Committee Members

Luyanda Mlambo
Zandisile Twani
Kholiswa Maki
Monica Ntlanjeni
Bonakele Kalani
Mncedisi Lawu
Katie Mfihlo
Lindiswa Skeyi
Ncediwe Mdoko
Faliteni

WARD 2

Ward Councillor:

Cr Meti

Committee Members

Misile Mahlahala
Misumzi Bambiso
Bulelwa Mgogoshe
Tembeka Ntlumbini
Vuyokazi Makinana
Steven September
Ntombizanele Malgas
Afika Antoni

WARD 3

Ward Councillor:

Cr Booysen

Committee Members

Elizabeth Malawana
Chesley Daniels
Mxolisi Makeleni
Xolani Simakuhle
Iris Basson
Nombulelo Yame
Nomakhazi Manyati
Zwane
Ngqawane
Goliath

WARD 4

Ward Councillor:

Cr May

Committee Members

Patrick Andrews
Sally Anne Prince - Smith
Karen Lee Meyer
Mitchell Brown

Eumalda Hector
Eleanor Anderton
Katie Marney
Amanda Groats

WARD 5

Ward Councillor:

Cr Tame

Committee Members

Lulama Kula
Vumile Zwayi
Tembisile Kondile
C Goba
Caen Nkatsha
Simnikiwe Mazosiwe
Victoria Vena
Andiswa Xalabile
Sebenzile Plaatjie
Nonkuliso Funani

WARD 6

Ward Councillor:

Cr Masoma

Committee Members

Thembisa Qinela
Vuyani Jacobs
Ntombizodwa Klaas
Nikiwe Pityi
Zamile Ponshe
Xoliswa Notyawo
Zingiswa Plaatjie
Lindelwa Bulani
Sebenzile Sankobe

WARD 7

Ward Councillor:

Cr Khubalo

Committee Members

David Tata
Lukhanyo Geelbooi
Nelisa Vuso
Vumeka Sodladla
Lukhanyiso Ndzayo
Nombuyiselo Mnyaka
Mninawa Mdoko
Mzukisi Twani
Veliswa Royi
Mile Tsili

WARD 8

Ward Councillor:

Cr Jackson

Committee Members

Lumko Dlukulu
Cd Prince
Mbuyiselo Salaze
Nf Nkayi
Themba Singatha
Mbuyiselo Mvula
Lulama Nxopo
Mxoleli Sullo
Phumla Mbebe

WARD 9

Ward Councillor:

Cr Jela

Committee Members

Thobile Qoko
Phamela Ngoqo
Siyabulela Mfecane
Sheila Magadaza
Mfundo Moya
Mazwi Dyasi
Mzuvukile Hoboshe
Wendy Dywili
Philani Madyo
Nomaxaciso Matya

WARD 10

Ward Councillor:

Cr Kolisi

Committee Members

Nomakhaya Mthathi
Melikhaya Noyila
Gideon Mapapu
Babalwa Ngxizele
Nomakhazi Tsili
Zodwa Cetu
Nomonde Ncanywa
Nontobeko Nyengane
Mziwoxolo Gule
Moyisile Mlonyeni

WARD 11

Ward Councillor:

Cr Gojela

Committee Members

Masixole Makhubalo
Mbuyiseli Joka
Mkhululi Koliti
Ntomboxolo Nxakala
Lungelwa Silo
Nondumiso Ntile
Xoliswa Losi
Zithulele Choli
Zukiswa Busakwe
Xhanti Duma

WARD 12

No Ward Committee established as of yet.

WARD 13

Ward Councillor:

Cr Madinda

Committee Members

Nomonde Xashimba
Yaziwe Manyati
Nomazwi Cossie
Ntombekhaya Mtya
Siyabulela Goduka
Bonelwa Mbatho
Nomathamsanqa Ndolo
Xolisani Gwente
Andile Staki

WARD 14

Ward Councillor:

Cr Gojela

Committee Members

Phumela Kewuti
Abegail Nomoyi
Christiaan Sias
Ellen Jantjies
Vuyani Nesi
Busisiwe Zembetha
Mkhusele Antoni
Mlungisi Bani
Thando Peku

APPENDIX E(ii)**REVENUE COLLECTION PERFORMANCE BY SOURCE****Revenue Collection Performance by Source**

Description R thousand	Ref 1	2010/11	Current Year 2011/12			2011/12 Variance	
		Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Revenue By Source							
Property rates	2	32 338	43 091	43 091	35 606	-17.71%	
Property rates - penalties & collection charges		-	-				
Service charges - electricity revenue	2	91 204	109 283	109 283	99 799		
Service charges - water revenue	2	26 613	38 662	38 662	39 415		
Service charges - sanitation revenue	2	14 948	18 746	18 746	17 306		
Service charges - refuse revenue	2	6 893	8 302	8 302	7 762		
Service charges - other		171	262	262	84	100.00%	
Rental of facilities and equipment		1 034	1 403	1 403	1 217	-13.17%	
Interest earned - external investments		4 767	4 800	4 800	3 939	-57.32%	
Interest earned - outstanding debtors		7 788	8,000	8 000	9 228	-2.73%	
Dividends received		-	-			0.00%	
Fines		1 144	733	733	567	37.72%	
Licences and permits		2 584	2 349	2 349	2 099	19.69%	
Agency services		943	650	650	1 139	25.74%	
Transfers recognised – operational		51 340	63 998	63 998	58 429	-57.48%	
Other revenue	2	10 815	1 651	1 651	2 491	-5.32%	
Gains on disposal of PPE		(159)	-			100.00%	
Total Revenue (excluding capital transfers and contributions)		252 422	301 930	301 930	267 946	-16.54%	-

APPENDIX F

CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Capital expenditure - New Assets Programme

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure		
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure on new assets by Asset Class/Sub-class								
Infrastructure		-	58 809	37 100	-	89 367	72 520	13 187
Infrastructure - Road transport		-	1 548	6 380	-	3 420	4 411	4 512
Roads, Pavements & Bridges		-	1 059	5 900	-	3 010	3 000	3 000
Storm water		-	489	480	-	410	1 411	1 512
Infrastructure – Electricity		-	5 450	5 394	-	10 285	37 656	8 675
Generation		-	5 450	-	-	10 285	37 656	8 675
Transmission & Reticulation		-	-	4 470	-	-	-	-
Street Lighting		-	-	924	-	-	-	-
Infrastructure – Water		-	2 590	1 677	-	59 922	900	-
Dams & Reservoirs		-	-	-	-	-	-	-
Water purification		-	-	-	-	59 922	900	-
Reticulation		-	2 590	1 677	-	-	-	-
Infrastructure - Sanitation		-	3 488	11 826	-	15 740	29 554	-
Reticulation		-	3 488	11 626	-	15 740	29 554	-
Sewerage purification		-	-	200	-	-	-	-
Infrastructure – Other		-	45 733	11 823	-	-	-	-
Waste Management		-	3 700	-	-	-	-	-
Transportation	2	-	1 990	-	-	-	-	-
Gas		-	-	-	-	-	-	-
Other	3	-	40 043	11 823	-	-	-	-
Community		-	9 973	2 417	-	2 472	6 758	-
Parks & gardens		-	-	977	-	115	-	-
Sportsfields & stadia		-	-	780	-	406	50	-
Swimming pools		-	-	-	-	-	-	-
Community halls		-	360	-	-	-	-	-
Libraries		-	-	-	-	900	-	-
Recreational facilities		-	-	-	-	-	-	-
Fire, safety & emergency		-	2 561	2,047	-	141	4 013	-
Security and policing		-	-	300	-	321	200	-
Buses	7	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-

APPENDIX F**CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG**

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure		
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cemeteries	8	-	-	-	-	200	220	-
Social rental housing		-	-	-	-	-	-	-
Other		-	7 412	-	-	389	2 275	-
Heritage assets		-	-	-	-	-	-	-
Buildings	9	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-
Housing development								
Other			-	-				
Other assets		-	-	27 945	-	32 898	40 389	31 492
General vehicles	10	-	-	1 030	-	-	800	-
Specialised vehicles		-	-	6 215	-	-	-	-
Plant & equipment		-	-	8 801	-	-	-	-
Computers - hardware/ equipment		-	-	350	-	-	-	-
Furniture and other office equipment		-	-	2 400	-	56	-	-
Abattoirs		-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-
Other Buildings		-	-	4 230	-	-	-	-
Other Land		-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-
Other		-	-	4 919	-	32 842	39 589	31 492
Agricultural assets			-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Intangibles		-		1 220	-	-	-	-

APPENDIX F

CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure		
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Computers - software & programming		-		1 220	-	-	-	-
Other (list sub-class)		-		-	-	-	-	-
Total Capital Expenditure on new assets	1		68 782	68 682	-	124 736	119 667	44 679
Specialised vehicles		-		6 215	-	-	-	-
Refuse		-		-	-	-	-	-
Fire		-		6 215	-	-	-	-
Conservancy		-		-	-	-	-	-
Ambulances		-		-	-	-	-	-

APPENDIX G**CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME**

Capital expenditure - New Assets Programme

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure		
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Capital expenditure on new assets by Asset Class/Sub-class</i>								
Infrastructure		-	58 809	37 100	-	89 367	72 520	13 187
Infrastructure - Road transport		-	1 548	6 380	-	3 420	4 411	4 512
Roads, Pavements & Bridges		-	1 059	5 900	-	3 010	3 000	3 000
Storm water		-	489	480	-	410	1 411	1 512
Infrastructure – Electricity		-	5 450	5 394	-	10 285	37 656	8 675
Generation		-	5 450	-	-	10 285	37 656	8 675
Transmission & Reticulation		-	-	4 470	-	-	-	-
Street Lighting		-	-	924	-	-	-	-
Infrastructure – Water		-	2 590	1 677	-	59 922	900	-
Dams & Reservoirs		-	-	-	-	-	-	-
Water purification		-	-	-	-	59 922	900	-
Reticulation		-	2 590	1 677	-	-	-	-
Infrastructure - Sanitation		-	3 488	11 826	-	15 740	29 554	-
Reticulation		-	3 488	11 626	-	15 740	29 554	-
Sewerage purification		-	-	200	-	-	-	-
Infrastructure – Other		-	45 733	11 823	-	-	-	-
Waste Management		-	3 700	-	-	-	-	-
Transportation	2	-	1 990	-	-	-	-	-
Gas		-	-	-	-	-	-	-
Other	3	-	40 043	11 823	-	-	-	-
Community		-	9 973	2 417	-	2 472	6 758	-
Parks & gardens		-	-	977	-	115	-	-
Sportsfields & stadia		-	-	780	-	406	50	-
Swimming pools		-	-	-	-	-	-	-
Community halls		-	360	-	-	-	-	-
Libraries		-	-	-	-	900	-	-
Recreational facilities		-	-	-	-	-	-	-
Fire, safety & emergency		-	2 561	2,047	-	141	4 013	-
Security and policing		-	-	300	-	321	200	-
Buses	7	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-

APPENDIX G
CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure			
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
Cemeteries	8	-	-	-	-	200	220	-	
Social rental housing		-	-	-	-	-	-	-	
Other		-	7 412	-	-	389	2 275	-	
Heritage assets		-	-	-	-	-	-	-	
Buildings	9	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	
Investment properties		-	-	-	-	-	-	-	
Housing development				-	-				
Other			-	-					
Other assets		-	-	27 945	-	32 898	40 389	31 492	
General vehicles	10	-	-	1 030	-	-	800	-	
Specialised vehicles		-	-	6 215	-	-	-	-	
Plant & equipment		-	-	8 801	-	-	-	-	
Computers - hardware/ equipment		-	-	350	-	-	-	-	
Furniture and other office equipment		-	-	2 400	-	56	-	-	
Abattoirs		-	-	-	-	-	-	-	
Markets		-	-	-	-	-	-	-	
Civic Land and Buildings		-	-	-	-	-	-	-	
Other Buildings		-	-	4 230	-	-	-	-	
Other Land		-	-	-	-	-	-	-	
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	
Other		-	-	4 919	-	32 842	39 589	31 492	
Agricultural assets			-	-	-	-	-	-	-
List sub-class			-	-	-	-	-	-	-
		-	-	-	-	-	-	-	
Biological assets		-	-	-	-	-	-	-	
List sub-class		-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	
Intangibles		-		1 220	-	-	-	-	

APPENDIX G**CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME**

Description R thousand	Ref 1	2010/11	Current Year 2011/12			Planned capital expenditure		
		Actual	Original Budget	Adjusted Budget	Actual	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Computers - software & programming		-		1 220	-	-	-	-
Other (list sub-class)		-		-	-	-	-	-
Total Capital Expenditure on new assets	1		68 782	68 682	-	124 736	119 667	44 679

Specialised vehicles		-		6 215	-	-	-	-
Refuse		-		-	-	-	-	-
Fire		-		6 215	-	-	-	-
Conservancy		-		-	-	-	-	-
Ambulances		-		-	-	-	-	-

ATTACHMENTS ANNUAL PERFORMANCE REPORT 2011-2012

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
2.1. Development Objective: Contributed Towards A Safe And Secure Environment								
Accessible Fire & Rescue Service	N/A	N/A	N/A	Establishment of satellite fire stations	two satellite fire stations established	Target not achieved	Target not achieved	A report was submitted to Council to have land in Alicedale rezoned for the establishment of a fire station. The Assistant Director of Housing, Land and Estates indicated in a meeting that a report will be submitted to the Mayoral Committee for permission to utilise the existing municipal building in Kwanonzwakazi. Reports were submitted and are waiting for Council's resolution.
								The project has started but before completion it was put on hold due to complaints from the community. Political intervention was requested. The project will be completed in the 2012-2013 financial year.
	Decrease in number of reported fires year-on-year	There has been a decrease in the number of fires reported compared to the previous year. A total of 55 fires in buildings and dwellings were reported.		Percentage decrease in incidence of fires by monthly comparison year-on-year	5% decrease in incidence of fires by monthly comparison year on year	Target not achieved	Target not achieved	The target was not met due to an increase in fires attended to and this can be put down to a number of factors outside the control of the Department namely weather conditions, human elements etc.

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
Raise community awareness	N/A	N/A	N/A	Number of individuals participating in fire awareness campaigns	1000 individuals participated in fire awareness campaigns	More than 1000 individuals participated in fire awareness campaigns during the 2011-2012 financial year	Target achieved	N/A
Promote and ensure compliance with fire safety regulations	N/A	N/A	N/A	Number of schools that received fire awareness visits	32 schools received fire awareness visits	More than the annual target of 32 schools received fire awareness visits	Target achieved	N/A
				Number of businesses completing elementary fire fighting courses	60 businesses completed fire fighting courses	More than the annual target of 60 individuals from businesses completed fire training courses	Target achieved	N/A
				Number of fire safety inspections carried out at commercial and industrial premises	200 fire inspections of commercial and industrial premises carried out	More than 200 fire safety inspections of commercial and industrial premises carried out during the 2011-2012 financial year	Target achieved	N/A
Improved road safety provided in accordance with the National Road Traffic Act and local by laws	At least two traffic safety projects per month	A total of six projects were completed. These include stop signs and speed humps erection.	Target achieved	Number of speed humps erected	Eight speed humps erected		Target not achieved	Speed hump policy submitted to Portfolio Committee and awaiting Director to organise workshop. Workshop and policy approval by Council to be undertaken in 2012-2013 financial year

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
	N/A	N/A	N/A	Number of learners participating in the scholar education programme	1000 learners participated in scholar education programme	More than the required 1000 learners participated in the scholar participation program for the 2011-12 Financial Year	Target achieved	N/A
				Percentage decrease in the incidence of reported vehicular accidents on municipal roads year on year	5% decrease in incidence of reported vehicular accidents on municipal roads year-on-year	Target not achieved	Target not achieved	Due to the shortage of manpower - Human Resources to advertise and fill vacant positions within the department, during the forthcoming year.
				Traffic survey between African and New Street	Traffic survey between African and New Street completed	There is no funding for this project	Target not achieved	The Department of Transport has been approached to assist with funding. Follow ups have not borne any fruits.
				SLA with Transnet for use of old railway station	SLA with Transnet concluded	Target not achieved	Target not achieved	Transnet not responding to invitations. Intervention by Director is to make written representation to Transnet during the first quarter of the 2012-2013 financial year

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
Effective and efficient library services	Lobby for the establishment of a new library in Riebeeck East	After a business plan was submitted, communication was maintained with the District Municipality. A notification of approval of an amount of R850 000 was received from the District municipality. A meeting was held with CDM at the site. Construction starts in September 2011.	Target achieved	Establishment of a new library in Riebeeck East	Library established in Riebeeck East	Target not met. Building plans have been approved and they are with Cacadu Municipality.	Target not achieved	Delay due to the acquisition of land. Land is now available and the project has started. Project will be completed in the 2012-2013 financial year.
Access to libraries	N/A	N/A	N/A	Number of new titles added to libraries	600 new library titles added	Target for the year was met in the 1st Quarter when 727 new titles were added	Target achieved	N/A
	Increase in membership and outreach programmes when compared to last year	Visits are done to schools and outreach programme implemented. There has been an increase in membership at libraries especially in Fingo where there is access to the internet. Last year membership stood at 27837 the membership this has increased to 29 117.	Target achieved	Increase in number of new members registered	450 new members registered	Target for the year was met by the third quarter when in excess of 450 new members registered. The annual target was reached for the 2011-2012 financial year	Target achieved	N/A

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
				Number of libraries with internet access	Three libraries have functional internet access	Target not met. Cabling done to all three libraries but Duna and Alicedale do not have internet access yet.	Target not achieved	The delay is because there is no ADSL connectivity in the affected areas. Cacadu Municipality is investigating other ways of connecting these libraries without using ADSL.
				Number of institutions visited during library outreaches	30 institutions visited twice during library outreaches	Target of sixty visits (30 institutions visited twice) during the 2012-2013 financial year exceeded	Target achieved	N/A
2.3. Development objective: A clean & healthy municipal environment which promotes human well being								
Facilitate the implementation of Local Environmental Action Plan	Percentage of facilitated projects that conform to the ideology of LEAP and the environmental legislation	Due to financial constraints we have been unable to implement all LEAP projects. Currently our focus is on education and training. Community workers have been identified and have received training. More funding proposals will be developed and follow up will be made on those that have already been developed. A review of LEAP will also be undertaken to ensure that projects are implementable.	Target not achieved	Number of households receiving LEAP pamphlets	2000 households received LEAP pamphlets	More than 2000 pamphlets were distributed to households during the 2011-12 Financial year	Target achieved	N/A

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
	N/A	N/A	N/A	Number of schools completing eco-schools programme	ten schools completed eco-schools programme	ten schools continue to take part in the programme and have been registered for the 2012/2013 financial year	Target achieved	N/A
	N/A	N/A	N/A	Number of workers completing environmental training	20 workers have completed environmental training	Service provider secured	Target not achieved	The service provider has been secured and will start in Mpumalanga. The project will be rolled over to the 2012-2013 financial year.
	Development of the Green City Strategy	The Municipality has under estimated the complexity of the project. More research is needed. This project will rollover to the 2011-2012 financial year.	Target not achieved	Funding for Green City Strategy	Funding for Green City Strategy secured	Green City Steering Committee established	Target not achieved	Due to funding constraints the project could not be implemented. The Green City project has been rolled over to the 2012-2013 financial year SDBIP.
Ensure involvement and participation of stakeholders in environmental matters	Establishment of Makana Environmental stakeholders Forum	The Makana Environmental Forum was established to create a platform for groups with interest in environmental matters. The forum meets on a quarterly basis. The last MEF meeting was held on 12 May 2011. People were identified from various wards and trained as environmental workers.	Target achieved	Number of funding proposals submitted on behalf of local community and environmental groups	Four funding proposals submitted on behalf of local community and environmental groups	Four proposals submitted and some funding received	Target achieved	N/A

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
Ensure effective and efficient Refuse removal	Percentage implementation of IWMP	We upgrade waste removal equipment on a yearly basis. A recycling project in partnership with private entity is currently running. Educational campaigns are conducted to address illegal dumping. Ramps, where possible, will be built to ensure that people are able to throw their refuse into the skips.	Target achieved	Number of dumping sites to be upgraded	Four dumping sites upgraded	Feedback from Ward Councillors obtained and report tabled	Target not achieved	Apathy with regard to Councillors providing information and insufficient funding. Upgrading og dumping sites to commence in ther 2012-2013 financial year subject to sufficient funding being provided.
	N/A	N/A	N/A	Number of workers completing environmental training	12 wards cleaned by Municipal cleaning campaign	All wards cleaned more than once during the financial year	Target achieved	N/A
	N/A	N/A	N/A	Feasibility study of the wheelie bin introduction	Feasibility study of the wheelie bin submitted to Council	Feasibility study was not conducted	Target not achieved	Conducting a perception survey about litter and to determine the needs of the community. Project to be finalised during the 2012/2013 financial year

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
2.4. Development objective: Public amenities are improved and well managed								
Ensure effective and sustainable maintenance and improvement of parks and recreational facilities	Development and implementation of Sports and Recreation Facilities Master Plan	Due to lack of internal capacity in developing the master plan the target has not been met. External assistance will be sourced.	N/A	Sports and Recreation Facilities Master Plan	Master Plan adopted	A draft Facilities Master Plan was presented to the Social Development Committee. The acting DCSS is to organise a workshop with all relevant stakeholders for input and buy-in. Thereafter it will be resubmitted to the Portfolio Committee for comment and then to Council for approval in October 2012	Target not achieved	Why delay
	N/A	N/A	N/A	Number of sports facilities upgraded	Two sport facilities upgraded	Construction begun on two facilities	Target not achieved	Delays due to late approval of MLG grant funds, and slow delivery by appointed contractors. Contractor to be penalised for slow delivery and project will be rolled over to the 2012/2013 financial year

SERVICE DELIVERY NO 2

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Annual Target	Actual Performance/ Status	Status	Possible reasons for deviation and correction action
Development of Parks and Playgrounds	N/A	N/A	N/A	Number of playgrounds/ parks established	five new parks/ playgrounds established	Sani Park, Zion Dam, Phumlani Park and the Spring have been completed and they are to be handed over to the Municipality for maintenance in the 2nd Quarter of 2012-13,	Target achieved	N/A
Manage Municipal farms and commonage for stock farming	N/A	N/A	N/A	A Grazing Policy	Grazing Policy Developed	Grazing Policy in the form of a Commonage By-Law developed by Service Provider and approved by Council	Target achieved	N/A

NATIONAL INDICATORS

National Indicators For Municipal Performance Information								
Development Strategy	Key Performance Indicator	Milestones				Annual Target	Projects/ Programmes	Performance Area
		Quarter 1	Quarter 2	Quarter 3	Quarter 4			
Local Government: Municipal Planning and Performance Management Regulations, 2001								
Overall performance of local government	Percentage of households with access to basic level of water	80% access to water	85% access to water	90% access to water	95% access to water	95% households have access to a basic level of water	MSA sections 26(i) and 41(1) (b); Municipal Planning and Performance Regulation 12; National Outcome 9; Output 2- Improving access to basic services	Service Delivery
	Percentage of households with access to basic level of sanitation	65% access to sanitation	75% access to sanitation	80% access to sanitation	82% access to sanitation	82% of households have access to a basic level of sanitation		
	Percentage of households with access to basic level of electricity	75% access to electricity	80% access to electricity	85% access to electricity	90% access to electricity	90% of households have access to a basic level of electricity		
	Percentage of households with access to basic level of solid waste removal					75%		
	Percentage of households earning less than R1 100 per month with access to free basic services						MSA sections 26(i) and 41(1) (b); Municipal Planning and Performance Regulation 12	

NATIONAL INDICATORS

National Indicators For Municipal Performance Information							Annual Target	Projects/ Programmes	Performance Area
Development Strategy	Key Performance Indicator	Milestones							
		Quarter 1	Quarter 2	Quarter 3	Quarter 4				
	Number of people from employment equity target groups employed in the senior level of management in compliance with the Municipality's approved employment equity plan					Six senior managers employed according to employment equity targets		Institutional Transformation & Organisational Development	
	Percentage of the Municipality's budget actually spent on implementing its workplace skills plan	25% of workplace skills plan in line with budget	50% of workplace skills plan in line with budget	75% of workplace skills plan in line with budget	100% of workplace skills plan in line with budget	Workplace skills plan in line with municipal budget		Finances & Management with Institutional Transformation & Organisational Development	
Outcome 8: Sustainable Human Settlements and An Improved Quality of Household Life, 2010									
Provision, improvement, and facilitation of accommodation units and land for settlement purposes	Number of units of accommodation upgraded within informal settlements	No units will be upgraded during this period	No units will be upgraded during this period	An application to Provincial Housing Dept. submitted	Applications submitted by beneficiaries		Output 1- Upgrading units of accommodation within informal settlements	Service Delivery	
	Number of accommodation units within the gap market of people earning between R3 500 and R12 800						Output 3- Facilitate the provision of accommodation units within the gap market of people earning between R3 500 and R12 800		

NATIONAL INDICATORS

National Indicators For Municipal Performance Information									
Development Strategy	Key Performance Indicator	Milestones				Annual Target	Projects/ Programmes	Performance Area	
		Quarter 1	Quarter 2	Quarter 3	Quarter 4				
Outcome 9: Responsive, Accountable, Effective and Efficient Local Government System, 2010									
Deepen democracy through a refined Ward Committee model	Average amount of funding per ward committee						Output 5- Deepen democracy through a refined Ward Committee model	Public Participation & Good Governance with Finances and Management	
	Percentage of ward committees that are fully functional	Ward committees elected	Ward committees inducted	Committees trained	100% of ward committees functional	100% ward committees are fully functional			
Administrative and financial capability	Average monthly collection rate on billings	82%	86%	90%	95%	95% Average collection rate of billings	Output 6- Administrative and financial capability	Finances and Management	
	Percentage of municipal revenue with debtors								
	Percentage of municipal spending on OPEX	25% of budget to date	50% of budget to date	75% of budget to date	100% of budget to date	100% of municipal OPEX budget spent			
	Percentage of municipal spending on CAPEX	20% of budget to date	45% of budget to date	70% of budget to date	95% of budget to date	95% of municipal CAPEX budget spent			
	Percentage of municipal spending of OPEX on repairs	Comprehensive infrastructure maintenance plan finalized	33%	33%	33%	100%			

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
3.1. Development objective: A conducive climate for economic growth and development exists										
1	Establish strategic partnerships local LED role players to maximise co-operation and interaction in order to stimulate an increase in the R-GDP	Projects identified in partnership with the following sectors for Tourism, Education (Rhodes University), Small Scale Mining Sector	A project list was identified for tourism projects at a strategic planning session on 14 June 2011. These projects were included in the 2011/12 budget and subsequent meetings took place to roll-out the projects	Target Achieved	Comprehensive LED Tourism Project List 2012/2013 funding	Comprehensive LED Tourism Implementation plans	Comprehensive LED tourism project list 2012/2013 funding an implementation	Comprehensive LED project for list for 2012/2013 and funding implemented. The following list of projects was compiled at the LED strategic planning session held on 23 February 2012: heritage development strategy, tourism marketing , 200 Years project, tourism infrastructure development.	Target achieved	N/A

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	Progress reports of the implementation of nine LED tourism projects for 2011/12	Progress reports to Tourism Portfolio committee (every 6 weeks)	Nine progress reports on LED tourism projects have been implemented	Nine progress reports on comprehensive LED tourism projects implementation. Progress reports were submitted to the following Portfolio Committee meetings: July, August, September, October and November 2011 and January, February, March, April, May and June 2012. Progress reports on 200 years project, upgrade of tourism signs, Kwam eMakana were submitted to the TCI Portfolio Committee meeting held on the 5 June 2012.	Target achieved	N/A

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		Projects identified in partnership with the following sectors: Torisum, Education (Rhodes University), Small Scale Mining Sector	The lease agreement for the Old Divisional Building was signed between the Municipality and the Kaolin Trust. The Trust will lease the building for a period of five years. The Trust has started exploring funding possibilities for the hub that is going to be housed in the building. An item was submitted to the Portfolio Committee of 20	Target achieved	Small scale mining business plan	N/A	Facilitated the creation of a vote number for funding secured from IDC	Small scale mining business plan has not been completed	Target not achieved	Target has not been met as there were delays in the transferring of funds by IDC. Funds were transferred in June 2012. The Terms of reference for business plans were advertised in July 2012. The project will be rolled over to the 2012/2013 financial year.
			March for approval for differential electricity rates for industry to facilitate the establishment of a pilot project to process Kaolin. As business plan was submitted to DTI to fund an Incubation Centre for Kaolin. A meeting is scheduled for the 23 August with DTI to finalise the funding application		Generator licenses for renewable energy projects	Generators licenses application submitted	Two generators licenses applications submitted	Two generator licenses for renewable energy projects	Target not achieved	Innowind submitted an application and was awarded the tender by the Department of Mineral and Energy to construct a wind farm in Waainek. In order to keep the tender issues like rezoning and the distribution agreements need to be finalised before November 2012.

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	Partnership framework		Approved partnership framework	Partnership framework was not developed due to the vacancy of the SMME Development Manager position	Target not achieved	Shortlisting for the SMME Development Manager took place twice and no suitable person was found for this position. The position was advertised for a third time and shortlisting will take place on 15 March 2012. Consequently the KPI's relating to this specific position can not be achieved with the current work load in the Directorate.
		Establishment of a business forum	The business forum inception meeting took place on 30 September 2010. The business forum's second meeting was on 8 December 2010 and the third meeting took place on 23 March 2011	Target achieved	Mayoral Business Consultation Forums	1 consultative forum	Four consultative forums held	Two Mayoral Business Forum meetings took place i.e 19 October 2011 and 10 February 2012	Target not achieved	Attempts to secure a date for the Business Forum meeting failed due to the busy schedule of Executive Mayor. Continuous efforts will be made to secure dates with the Mayor.

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	Percentage expenditure of NDPG grant for 2011/12	100%	98% of the 2010/11 grant was expended due to the delay caused by litigation in the awarding of the tender for Node 2	R 11.8 million grant was budget 2011/12 was spend	Target achieved	N/A
		N/A	N/A	N/A	Percentage throughput rate of beneficiaries completing income leakage projects	Beneficiaries complete income leakage intervention through Arts festival	60% throughput rate of beneficiaries completing income leakage programme	This year six beneficiaries took part as emerging SMMEs in the NAF	Target not achieved	A service provider was appointed on the 15th June to conduct a feasibility study on the year round usage of Fiddler's Green to improve the extend to which beneficiaries take part in the National Arts Festival.
		N/A	N/A	N/A	Expenditure reports of ADF	Expenditure reports of ADF submitted to Portfolio Committee (every six weeks)	Nine Expenditure reports of ADF weresubmitted to the Portfolio Committee	Nine Expenditure Reports of ADF were submitted to the Portfolio Committee	Target achieved	Expenditure reports were sent to the following LED Portfolio Committee meetings: July, August, September , October 2011 and February, March, April, May and June 2012.

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	SLA for inner city regeneration	SLA for Inner City Regeneration signed	SLA for inner city regeneration completed	The SLA for inner city regeneration was not completed	Target not achieved	Due to the complexity of PPP, the MM requested that advice must first be solicited from the Provincial Government and The Development Agency of Nelson Mandela Metro. A concept document and implementation plan were produced. A presentation by the DBSA was made in July 2012
		N/A	N/A	N/A	Grahamstown's 200th Observation	Grahamstown Arts Festival	A successful Grahamstown 200th Observation	The project was launched on 18 February 2012. Fourteen community driven initiatives were awarded funds. In June 2012 funding agreements were signed with all the beneficiaries.	Target achieved	N/A

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	R value of funding leveraged for local tourism	Progress report on funding distribution	R value of funding leveraged for local tourism	R200 000 was secured and transferred by Cacadu District Municipality to implement a Tourism Entrepreneurship Development Programme	Target achieved	N/A
		N/A	N/A	N/A	Audit of heritage sites	N/A	Audited report of heritage sites	The project was completed in May 2012. An audit report was submitted to the TCI Portfolio Committee held on 24 April 2012.	Target achieved	N/A
		N/A	N/A	N/A	Report on identification of tourism opportunities	N/A	Report on identification of tourism opportunities	An opportunity to capacitate local crafters was identified. A proposal for funding was submitted to CDM, however it was deemed unsuccessful.	Target achieved	N/A

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		N/A	N/A	N/A	Funding leveraged	Progress report	R value of funding leveraged for local tourism	R200 000 was transferred by the Cacadu District Municipality to implement a Tourism Entrepreneurship Development Programme	Target achieved	N/A
	Support the development and growth of the agricultural sector	Opportunities for the emerging and commercial farmers are identified and communicated to them	The proposals for drafting a strategic framework for agro-processing were evaluated and a letter of appointment was sent to Natatu. The service provider is presenting its roll-out plan on 13 April 2011. Stakeholders will be consulted once the service provider commences. The project planning, mobilisation, review and analysis have been completed for the Agro Processing Framework. The framework is scheduled for completion at the end of August 2011	Target achieved	Targets for the Agro-processing strategic framework where met according to the implementation plan	Q4 target for implementation plan met	Strategy being implemented	The service provider for beekeeping (one of the enterprises recommended in the agro-processing implementation plan) was appointed. It is anticipated that the training will be finalised by the end of August 2012	Target achieved	N/A

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		No of support services rendered to stimulate agricultural activity	The report deals with: The Assistance to existing farmers involves facilitate access to finance to obtain agricultural inputs/ infrastructure) and progress made with an agro-processing strategic Framework.	N/A	Percentage of emerging farmers groups requesting financial support	60% of emerging farmers requesting assistance receive support as reflected in progress reports	60% of emerging farmers assisted with financial support	Access to finance was facilitated, only one emerging farmer visited the LED office for assistance. Other needs including prior access to funding were identified and they were referred to the relevant institution e.g.SEDA.	Target achieved	N/A
		N/A	N/A	N/A	Percentage of farmers requesting assistance successfully referred to land authorities	60% of farmers requesting assistance successfully referred to land authorities	70% of farmers requesting assistance successfully referred to land authorities	All farmers (100%) were referred to land authorities. Only 11 walk-ins seeking facilitation of land for period under review, they were referred to the relevant Departments and five were listed on the Thornpark Farm list where the EIA is still being conducted.	Target achieved	N/A
			N/A	N/A	Agricultural development strategy	Approved Agricultural Development Strategy	Agricultural development strategy	The project was not implemented due to a lack of funding and internal capacity	Target not achieved	The project was not funded; a roll-over request for R200,000 was submitted and will be considered at the Council meeting on 30 August 2012

LED

No	Development Strategy	2010 - 2011 Key Performance Indicator	Previous Financial Performance 10-11	10-11 Status	11-12 Key Performance Indicator	Actual Performance 4th Quarter	Annual Target	Actual Performance	Status	Reasons for deviation and corrective
		Capacity building: training on business plan	Create awareness of the Council's role and services offered to promote growth and development of SMMEs	Not fully effective	Number of beneficiaries assisted through capacity building workshops	20 beneficiaries completed workshops	40 beneficiaries assisted through workshops	Many workshops took place in the first, second and third Quarters. Seven workshops organised in fourth Quarter. Some farmers attended a SAPS workshop on Tax overview. An organic workshop took place on 25 April	Target achieved	N/A
	Support the development and growth of SMMEs	Access to finance	Facilitate access to finance for SMMEs	Not fully effective	Percentage of SMMEs and co-ops requesting assistance in accessing financial support	60% of SMMEs requesting assistance in accessing financial support	60% of SMMEs requesting assistance in accessing financial support	All SMME walk-ins were attended to and referred to relevant institutions for funding	Target achieved	N/A
		Number of support services rendered to the SMME sector to stimulate economic growth and development	Facilitate three capacity building workshops for SMMEs in partnership with government departments; government agencies (SEDA) and the private sector	Target achieved	Number of SMMEs, co-ops and beneficiaries assisted through capacity building workshops	20 beneficiaries completed workshops	40 beneficiaries were assisted through workshops	Target met (20 is the annual target and many workshops already took place in previous quarters). Eighteen SMMEs attended the SARS workshops	Target achieved	N/A

FINANCIAL VIABILITY & MANAGEMENT

Development Strategy	2010-2011 Key Performance Areas	Previous Financial Performance 2010-2011	Status	2011-2012 Financial Key Performance Indicator	Annual Target	Status	Actual Performance in June 2012	Reasons for Deviation and Corrective Action
4.1. Development objective: A municipality to be financially viable and sustainable								
Effective and efficient management and utilisation of resources with respect to the financial management legislation and policies	25% reduction in the incidence of repeat financial audit exceptions when compared to last year	Asset register received from Aurecon. Currently checking for accuracy before handing to consultants for further processing of AFS. Delays due to contractual issues.	The performance was not quantified	Asset register	An updated, compliant Asset register	Target achieved	Verification of assets done. Asset register being updated and balanced to GL	N/A
	Asset Management related policies reviewed	Awaiting information from unbundling process to do prepare Asset Management Plan	Target not achieved	Review of Asset Management Policies	All Asset Management Policies reviewed and updated	Target not achieved	Asset Management Policy is not benchmarked, reviewed or updated. Only Disposal of asset was revised.	The Asset Management Policy will be prioritise for review in the 2012-2013 financial year. The delay was due to, amongst other things, the suspension of the Chief Financial Officer.
	N/A	N/A	N/A	Financial Management Improvement Plan	A Financial Management Improvement Plan	Target achieved	Financial management plan was developed and approved by Council	N/A

FINANCIAL VIABILITY & MANAGEMENT

Development Strategy	2010-2011 Key Performance Areas	Previous Financial Performance 2010-2011	Status	2011-2012 Financial Key Performance Indicator	Annual Target	Status	Actual Performance in June 2012	Reasons for Deviation and Corrective Action
	Develop strategic approach for a five year financial plan	Training will commence in September 2011; training was delayed due to an availability of a service provider.	Target not achieved	A five year financial plan	A five year financial plan approved	Target not Achieved	Five plan has not been developed	Five year financial plan was not developed due to a lack of capacity. Assistance has been requested from National Treasury and their team is on site. That is part of the MFIP support plan
Ensuring prudent budget and budgeting controls	Budget preparation training to be conducted before the end of June 2011	Due to non-availability of service providers this project will be prioritised in the new financial year.	Target not achieved	A municipal budget	A finalised municipal budget	Target not achieved	Lack of internal capacity delay the implementation , Part of MFIP Support Plan - Draft plan/ template for the training of Non Finance Managers in place	N/A
	All Section 71 reports and conditional grant reports to National and Provincial Treasuries in terms of MFMA	They are completed on a monthly basis and sent to Provincial and National Treasur.	Target achieved	Monthly financial reports (three reports per quarter from five directorates)	60 monthly financial reports from five directorates assessed	Target achieved	All 60 reports where issued up until June 2012	N/A

FINANCIAL VIABILITY & MANAGEMENT

Development Strategy	2010-2011 Key Performance Areas	Previous Financial Performance 2010-2011	Status	2011-2012 Financial Key Performance Indicator	Annual Target	Status	Actual Performance in June 2012	Reasons for Deviation and Corrective Action
	N/A	N/A	N/A	Monthly budget reports of expenditure delivered (three reports per quarter to five directorates)	60 budget reports delivered across five directorates	Target achieved	Monthly reports are distributed in all five directorate.	N/A
Improved Revenue Enhancement	N/A	N/A	N/A	Percentage increase in revenue collection year on year	10% increase in revenue collection year on year	Target not achieved	Clearance of the suspense account and allocation of unreceipted income, correction of incorrect billing tariffs used, and the meeting of government officials and businesses for arrear debt taking place.	Correcting the billing, clearing the suspense account (stl in progress) attending to queries regarding municipal debtors - ongoing.
	Percentage decrease in objections on valuation roll	Only two objections	Target achieved	Percentage decrease in objections on valuation roll	5% decrease in objections on valuation roll	Target achieved	2010-11 two interim valuation roll objectives received and for 2011-2012 three were received. More needs to be done to educate community on the evaluations.	Ongoing

FINANCIAL VIABILITY & MANAGEMENT

Development Strategy	2010-2011 Key Performance Areas	Previous Financial Performance 2010-2011	Status	2011-2012 Financial Key Performance Indicator	Annual Target	Status	Actual Performance in June 2012	Reasons for Deviation and Corrective Action
Compliance to Financial Reporting requirements	A Municipal budget	Budget approved by the Council before 31 May 2011.	Target achieved	A Municipal budget	Municipal budget approved	Target achieved	Budget approved by Council by 29 May 2012.	N/A
	percentage reduction in qualifications of Auditor General(AG) findings year-on-year	75% reduction in qualifications of AG findings	Target not achieved	percentage reduction in qualifications of AG findings year on year	75% reduction in qualifications of AG findings		Audit Action Plan workshopped with Council and Councilors have been allocated to each issue. Actual performance will be known after the audit.	Compare with the previous report
	Percentage submission of monthly National Treasury reports	100% of monthly National Treasury reports submitted	Target achieved	Percentage submission of monthly National Treasury reports	100% of monthly National Treasury reports submitted	Target not achieved	Treasury reports submitted on a monthly basis - 92% of National Treasury reports have been submitted; 8 % have not been submitted to National Treasury due to system constraints. Assistance has been requested from National Treasury and their team is on site. That is part of the MFIP Support Plan.	N/A

FINANCIAL VIABILITY & MANAGEMENT

Development Strategy	2010-2011 Key Performance Areas	Previous Financial Performance 2010-2011	Status	2011-2012 Financial Key Performance Indicator	Annual Target	Status	Actual Performance in June 2012	Reasons for Deviation and Corrective Action
Creating and promoting awareness on Financial Matters	Number of monthly financial communiqés distributed to external stakeholders	12 financial communiqés distributed	Target achieved	Number of monthly financial communiqés distributed to external stakeholders	12 financial communiqés distributed	Target not achieved	Communication to external stakeholders was not done	Not done, this KPI used to be performed by the CFO but due to his suspension the target was not achieved. The repsonibility will be shared amongst senior management in the directorates.
	Number of external stakeholders attending financial education sessions	35 stakeholders have attended at least one financial education session during the year	Target was Achieved	Number of external stakeholders attending financial education sessions	35 stakeholders have attended at least one financial education session during the year	Target not Achieved	Education of the stakeholders was conducted	Not done, this KPI used to perform by the CFO due to his suspension the Target was not achieved. The repsonibility will share amongst senior maagement in directorate

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
1.1. Development objective: Maintain an efficient and effective administration								
Strategic leadership & management	Number of strategic planning sessions	Six team building exercises where held in the 2010/11 financial year for all Directorate	Target was achieved	Operational plans per directorate	Six finalised business/operational plans	Target achieved	N/A	Target was achieved as all six operational plans were developed for all Directorates
Institute an effective & efficient PMS for all employees	Performance agreements are in place to Assistant Director level	Performance agreements where signed by Assistant Directors. Reviews where not conducted due to the hectic schedule and additional responsibilities of CFO functions. Review will be completed by the end of August 2011. In future the format of the reviews will be revised as it is time consuming.	Target was achieved	Number of manager performance reviews conducted in line with contracts	116 manager performance reviews conducted for year	Target not achieved	There was lack of capacity and commitment amongst the managers to conduct quarterly reviews. Corrective action: support has been requested from Cacadu District Municipality to assist in performing this task and the project will be rolled over to the next financial year.	Performance reviews were not conducted. A) Section 57 Performance reviews were scheduled to take place in December 2011 but due to a lack of information, they were postponed. A new date would be identified. B) No reviews were conducted as the Office of the Municipal Manager encountered scheduling difficulties.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
	N/A	N/A	N/A	Supervisor performance plans	All supervisor performance plans finalised	Target not achieved	Only one directorate cascaded the performance plans to supervisory level. The other directors did comply due to a lack of capacity and commitment amongst the managers. Corrective action: support has been requested from Cacadu District Municipality and the project will be rolled over to the next financial year.	Only two performance plans were developed for the SPU and the Media & Communications Officer.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
Ensure a municipal system that will support effective administration	Number of information systems integrated	Target was not met, the project has been delayed due to the lack of internal capacity and non-availability of qualified candidates to fill the post after interviews were conducted. A service provider will be appointed to implement the projects in the 2011-2012 financial year.	Target not achieved	ICT systems integrated according to adequacy needs assessment	All ICT systems integrated	Target not achieved	Needs assessments in other areas are being conducted. A draft strategy is being developed and will be tabled for discussion.	1. DRP/BCP is being implemented through wireless network deployment and NAS(Network Attached Storage) that is housed in our Data Centre(City Hall Server Room) - 50% is completed. 2. Payday is also being linked to City Hall for HR staff to view. This will be completed by 17 July 2012. 3. GIS will be available to both Technical and Infrastructure, and Finance staff from 1 August 2012. 4. Backup generators are also being procured. 5. 28% (51 out of 180) users have submitted their user-access forms. All users are required to complete user access forms. This will address the audit query and assist the Municipality in managing its ICT systems.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
Improve employee retention and recruitment	Turn around time to fill budgeted posts according to vacancy schedule	All vacant posts as per the vacancy schedule have been filled within the stipulated time.	Target was achieved	Avg. vacancy turnaround time (advert to appointment)	7.5 weeks or less average for year	Target achieved	N/A	All vacancy positions are filled on time.
	Quarterly analysis reports on exit interview	Exit interviews are being conducted on an on-going basis. Reports are presented to the Portfolio Committee.	Target was achieved	Exit interview reports	Four quarterly exit interview reports	Target achieved	N/A	Exit interviews are conducted on a quarterly basis and all exit forms are reported to the Portfolio Committee.
	Implementation of scarce skills retention policy	Policy has been applied across the Municipality on the category of the skills identified as scarce skill, a 10% scarce skills allowance is provided.	Target was achieved	Percentage reduction in staff turnover of scarce skills	60% reduction in turnover of staff with scarce skills on year	Target achieved	N/A	There has been one resignation from the scarce skills category during the fourth quarter.
	Development of HR plan by 30 November 2010	Target was not met because of lack of capacity. External assistance will be sourced.	Target was not Achieved	Human Resources plan	An approved Human Resources plan	Target not achieved	The OD exercise is still not complete. A draft HR plan has been developed, it will have to incorporate the recommendations of the OD exercise.	HR plan has been drafted.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
	N/A	N/A	N/A	Percentage reduction in average absenteeism rate	10% reduction in average absenteeism rate	Target not achieved	Measure was not clearly defined. The nature of absenteeism as appearing in the attendance registers require thorough analysis by the HOD's office.	No measure done on a continuous basis.
	Develop and implement Equity Plan	Equity plan was developed	Target was achieved	Number of appointments in line with Annual Equity Plan	81 appointments in line with Annual Equity Plan	Target not Achieved	There current annual equity plan is not in line with the current organogram of the institution and the current status of the employees.	This is implemented however where there is no suitable candidate as per EE Plan , the best candidate is given an opportunity to be appointed.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
To ensure a Municipal system that would support efficient administration	Quality of agendas and minutes addressed N/A	Ongoing N/A	N/A N/A	Average number days in advance that agendas are received Phases of Change Management Strategy implemented	Agendas received on average 5 days or more in advance Four phases of Change Management Strategy completed	Target achieved Target not achieved	N/A The OD exercise is being facilitated by PWC. Job descriptions have been distributed to different directorates for comments. The two phases will be linked to this process.	The agendas are distributed in line with the Rules of Order to all relevant stakeholders timeously. Change agents in all Directorates have been appointed and have undergone training during the first and second quarters. During the fourth quarter they finalised phase one of the OD exercise, and phase two will be proceeded with in the new financial year.
1.2. Development objective: Strategic profiling of legal services								
Streamlining legal services	N/A	N/A	N/A	Percentage reduction of litigation costs incurred by the Municipality	10% reduction in litigation costs incurred by Municipality against previous year	Target not achieved	The target has not been met due to the absence of an appointed Legal Advisor in the Municipality. The position needs to be advertised.	Target to be revised and implemented in the next financial year.

INSTITUTIONAL TRANSFORMATION

Development Strategy	2010-2011 Key Performance Indicators	Previous Financial year Performance 2010/11	Status	2011-2012 Key Performance Indicator	Annual Target	Status	Reasons for Deviation and Corrective Action	Annual Actual Performance
1.3. Development objective: Strengthening International Relations								
Formalising International Relations Agreements				International Relations-International Co-operation Strategy	International Co-operation Strategy adopted	Target was not achieved	Due to the lack of information. The needed information has been sourced	No performance.
				Phase 1 of Finland Co-operation Agreement	Completion of Phase 1 of Finland Co-operation Agreement	Target not achieved	Proposal document from Finland partners was only received at the end of September 2011. Draft Co-operation agreement has been referred to the Premier's Office(Mr Sontodoshe).	Draft Co-operation agreement referred to the Premier's Office(Mr Sontodoshe).
1.3. Strengthening International relations								
Formalising International Relations Agreements	N/A	N/A	N/A	International Relations-International Cooperation Strategy	International Cooperation Strategy adopted	Target is achieved	N/A	International Relations Strategy document was considered by the Mayoral Committee during the second quarter
	N/A	N/A	N/A	Phase 1 of Finland Co-operation Agreement	Completion of Phase 1 of Finland Cooperation Agreement	Target is achieved	N/A	Target achieved- preparations are being made to host the Finland Education group in March 2012 which will focus on education linkages between Makana and Raseborg.

GOOD GOV & PP

Development Strategy	2010-2011 Key Performance Indicators	Previous year Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Quarter Four	Annual Target	Actual Performance	Status	Possible reasons for deviation and corrective actions
5.1. Development objective: Enhanced public participation and engagement to ensure service delivery according to developmental local government principles									
Maximising community and stakeholder engagement in IDP & budget processes	Percentage adherence to the IDP budget process plan	Integrated Development Plan was approved on 11 May 2011 as per process plan	Target achieved	Integrated Development Plan	20 % intergration and alignment completed	Updated Integrated Development Plan approved	The target was achieved. The IDP register was completed on time and forms part of the IDP that was approved on 29 May 2012.	Target is achieved	N/A
Institute an effective monitoring and evaluation system	N/A	N/A	N/A	Percentage of staff meeting all targets in performance agreement.	100% of staff meet quarterly performance targets	100% of staff meet annual performance targets	Target not achieved	Target not achieved	Performance reviews were not conducted and because of that the Municipality was not able to determine the percentage of achievement of target. This was due to lack of capacity amongst managers. More in the next financial year will be done to ensure capacity to improve performance.

GOOD GOV & PP

Development Strategy	2010-2011 Key Performance Indicators	Previous year Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Quarter Four	Annual Target	Actual Performance	Status	Possible reasons for deviation and corrective actions
	Municipal and directorate scorecards are developed and reported quarterly	Municipal scorecards were developed and reports submitted to Council in the form of SDBIP quarterly reports.	Target achieved	Directorate scorecards are reported quarterly	Six directorate scorecard reports	24 directorate scorecard reports	Not all 26 report where done	Target not achieved.	No commitment from the Directorate to ensure that all report are submitted on time. More emphases to ensure compliance will be enforced.
Improve positive image of the Municipality	Development of the communication strategy with action plan	Communication policy and strategy have been developed	Target achieved	Communication policy and implementation plan	N/A	Communication policy and implementation plan adopted	Communication policy approved by Council	Target achieved.	N/A
Review Risk Management	A reviewed Risk Management plan, strategy and policy	The strategy was developed	Target achieved	Risk Management Implementation Plan for financial year	N/A	Approved Risk Management Implementation Plan	Risk Management Implementation Plan was approved	Target achieved	N/A
				Quarterly newsletters	one quarterly newsletter distributed	four newsletters distributed	four newsletters were produced and distributed	Target achieved	N/A

GOOD GOV & PP

Development Strategy	2010-2011 Key Performance Indicators	Previous year Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Quarter Four	Annual Target	Actual Performance	Status	Possible reasons for deviation and corrective actions
5.2. Development objective: A conducive environment is created for vulnerable groups to participate and benefit in socio- economic development									
Promote policies aimed at vulnerable groups and support them	Numbers of groups identified, established and maintained	No annual plans have been developed for the groups. All the plans will be drawn up in the first quarter of the next financial year	Target not achieved	Percentage of identified vulnerable groups benefiting from Municipal facilitation	25% of identified vulnerable groups benefit in fourth quarter	100%	Groups are randomly invited to participate in the activities organised by the Municipality	Target	Municipality is not able to quantify the percentage of vulnerable groups identified. The Municipality would place adverts calling all organised vulnerable group to register with the Municipality.
	Donations and Grants Policy reviewed by September 2010	There is a published circular from NT on which the revision of Grants and Donations Policy has to be based upon. Circular 51 from NT has been obtained. The Grants and Donations Policy will be revised in the First quarter of the new financial year	Target not achieved	Review Grants and Donation Policy	N/A	Grants and Donation Policy approved	Grants and Donations policy was sent to external experts for review.	Target not achieved	The existing Grants and Donation Policy will be circulated for comments. Delay was due to late response for the outside stakeholders.

GOOD GOV & PP

Development Strategy	2010-2011 Key Performance Indicators	Previous year Performance 2010-2011	2010-2011 Status	2011-2012 Key Performance Indicator	Quarter Four	Annual Target	Actual Performance	Status	Possible reasons for deviation and corrective actions
	Implementation of HIV/AIDS mainstreaming plan	The Municipality has not developed a new HIV/AIDS mainstreaming plan. It will be developed in the second quarter of the new financial year.	Target not achieved	Development of HIV/AIDS Operational Plan	N/A	An HIV Operational Plan	An HIV Operational Plan was developed	Target achieved	No performance reported
Improve rural services and sustainable livelihoods	Roll-out of rural outreach development programme according to the project plan	Water tanks and waterless toilets are installed in the identified areas	Target not achieved	Roll-out of rural outreach development programme according to the project plan	Report against project plan	100 % implementation of rural development program	79 water tanks bought and installed in the rural areas	Target achieved	There were delays with the internal procurement processes. Corrective action: project will be rolled over to the next financial year

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.5. Development objective: Access to safe drinking water is provided								
Water quality is improved through the compliance with South African National Standards 241	Percentage compliance of monthly test results	Samples were taken during the month of July 2011 and the results had achieved a 100% confidence level	Target achieved	98% confidence level on monthly test results	98% onfidence level on water quality for the year	98% confidence level achieved as samples are analysed and submitted monthly to DWA through Blue Drop system.	Target achieved	N/A
Ensure fully functional water treatment plants	Percentage increase in supply of water from treatment plants	The project has gone out on tender which closed on 24 June 2011. Evaluation committee met and an adjudication report has been submitted. The project has been delayed due to the completion of EIA and will be rolled over to the 2011/2012 financial year.	Target not achieved	Percentage increase in supply of water from treatment plants	20% increase in supply of water by year end	8% increase in the supply of water has been achieved. Service provider for refurbishment of sand filters has been appointed and is currently on site.	Target not achieved	The appointment of a contractor was delayed; contractor was appointed in June 2012 in order to increase the supply.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.6. Development objective: Manage water demand and conservation strategy								
All customers are metered	Percentage decrease in unaccounted for water in comparison with audited financial statements	The first phase of the project has been completed and the second phase will start in August 2011. The tender for the appointment of the consultant has gone to the Bid Adjudication Committee	Target not achieved	Percentage decrease in unaccounted water year-on-year	10% cumulative decrease in water supply year-on-year	3% decrease in water losses. A service provider for installation of bulk water meters has been appointed in order to establish municipal water balance. Semi-skilled plumbers have been appointed to conduct water meter audit, repairs and replacement of malfunctioning meters	Target not achieved	Resources were limited. Funding was available for the procuring of bulk meters in order to measure losses.
Ensure constant water supply, distribution and conservation	Percentage formal household with access to water in terms of the Water Services Development Plan	This project has been approved by Ukulungisa and the consultant has been appointed and is conducting a feasibility study	Target not achieved	Percentage of formal households with access to water in terms of WSDP	95% households have access to water in terms of WSDP	85% of household have access to water	Not achieved	The Municipality is implementing a funding strategy for rural areas. Water is being delivered regularly.

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.7. Development objective: Acceptable sanitation services are provided								
Construct and install flushing toilets in all households	Number of households provided with sewer erf connections	Tenders for this project (Phase 02) have been completed and additional funding required from MIG has been approved The project is under construction and nearing completion	Target not achieved	Number of households provided with flushing toilets	571 households have been provided with flushing toilets	Constructed 1420 excavation, laid 1350 pipes and completed 67 erf connections	Target not achieved.	The contractor delayed moving to site after the site was handed over.
Ensure upgrading and regular maintenance of sanitation infrastructure	Water and sanitation maintenance strategy in place identifying a way forward in terms of improving existing infrastructure	Water and sanitation maintenance strategy in place identifying a way forward in terms of improving existing infrastructure. Upgrading of Belmont Valley WWTW (partly funded)	Target not achieved	Contractor appointed for Waterborne Sanitation Lower Makana	Contract appointed for Waterborne Sanitation Lower Makana	Project was advertised and closed	Target not Achieved.	Procurement processes have been delayed and the contract has not be awarded.
	Water and sanitation maintenance strategy in place identifying a way forward in terms of improving existing infrastructure	Water and sanitation maintenance strategy in place identifying a way forward in terms of improving existing infrastructure. Upgrading of Belmont Valley WWTW (partly funded)	The project was not fully funded and was rolled over to the 2011/2012 financial year	Percentage of effluent within DWA confidence standard	15% of effluent within DWA confidence standards	Samples were analysed and submitted monthly on DWA through Green Drop system. 10% effluent quality compliance was achieved. The annual target was not achieved as Belmont Valley WWTW is overloaded and the Mayfield WWTW was vandalised.	Target not achieved	Belmont Valley WWTW is overloaded. The Municipality is still busy with a funding strategy to attend to Belmont Valley.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.8. Development objective: To provide an electrical supply that is continuous, reliable and safe								
Access to energy	Number of households in formalised areas within Makana provided with electrical connections	The contractor has been appointed and is on site in Zolani, Phaphamani and Sun City the project is nearing completion	Target not achieved	Number of houses within Makana provided with electrical connections	170 households to be electrified	258 electrical connections to residential and commercial customers in Grahamstown West was completed.	Target was achieved	Increased connection demand on residential & commercial customers. 280 HH electrified
	Turn around time for new connections in accordance with NERSA standards	The turna round time is met in most cases but not quantified	Target not achieved	Average turn around time for new connections in accordance with NERSA standards	90 days or less average turn around time for new connections	51 working days turn around achieved for providing new connections	Target not achieved	Improved efficiency with improved staff complement. A report is needed on turnaround times. Currently have an average 60 day turn around time

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
Upgrading and maintaining the infrastructure	Reduction in complaints year-on-year	The network is upgraded in the form of sugarloaf substation	Target achieved	Number of kilometers of overhead lines refurbished and extended	12.5km of overhead linea refurbished and extended	4.7km of overhead lines commissioned. Major refurbishment/ extensions have been implemented	Target not achieved	The reasons for not achieving target include the December recess, staff shortages and SCM challenges. 4.5km of overhead lines was refurbished. The Directorate to implement more planning (Procurement Plan) and attend to the filling of vacant post with the support of the Corporate Services Directorate.
	Breakdowns attended to within four hours (in accordance with NERSA standards)	In most cases the minimum required response time is adhered to but there is still room for improvement	Target not achieved	The average duration of turnaround time for breakdowns is four hours (by NERSA standards)	Four hour average duration of turnaround time for the year	Three hours avg achieved in receiving, conducting site inspection and resolving customer problems	Target was achieved	N/A

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
Provision of alternative energy	Strategy in place for provision of alternative energy	A meeting with Innowind and other stakeholders took place. The Solar Heater Geyser System is being initiated and six service providers have signed the MoU	Target achieved	Assessment report for alternative energy supply	Assessment report for alternative energy supply completed	Target not achieved	Target not achieved	Delays in the readiness process EIA and other. A PSC and IT have been established to monitor the progress and an action plan has been drafted. The Municipality has engaged a service provider for the bulk alternative energy supply.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
Ensure affordable energy through load management and energy efficiency	Percentage reduction of losses in comparison with audited financial statements	The programme of maintaining infrastructure is implemented continuously	Achievement has not been quantified	Percentage reduction in electrical losses in comparison with audited financial statements	10% reduction in losses by year end	No strategy document in place. Percentage reduction not quantified	Target not achieved	No service provider has been appointed and load monitoring equipment has not been installed. The Directorate is to prioritise the establishment of the strategy document and appoint a service provider to install load monitoring equipment.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.9. Development objective: Good quality roads and storm water drainage is provided								
Construction of new roads, storm water and sidewalks	Number of kilometers of roads surfaced	The contract has been awarded and implementation has commenced	Target achieved	Number of kilometers of roads surfaced to include provision for sidewalks	20 km of roads to be surfaced	5.3km Of roads currently being surfaced	Target not achieved	Non-performance of contractors and KwaNomzamo project was delayed due to insufficient budget. The Department is to conduct proper monitoring and evaluation and report progress through the Infrastructure Committee meetings.
	N/A	N/A	N/A		30 kms of gravel roads to be gravelled	30 km of gravelling of roads, thus meeting the annual target	Target achieved	N/A
Ensure existing roads, storm water and sidewalks are upgraded and maintained	Percentage of budget spent on maintenance of roads	Resealing of roads is done internally. Performance was not quantified.	Target not achieved	Percentage of total budget spent on maintenance of roads	100% of total budget for maintenance of roads spent	76% of the budget has been spent	Target not achieved	Maanger post was vacant resulting in the budget not being spent. A manager has been appointed.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
2.10. Development objective: Sustainable land use planning and management								
Ensure effective and efficient land use changes in accordance with applicable legislation	Reviewed SDF	This project is not budgeted for and lobbying for funds is being explored. We are intend to present an item to the Bid Adjudication Committee	Target not achieved	Updated Spatial Development Framework	Approved SDF in line with the IDP	Target not achieved	Target not achieved	Capacity constraints will cause the project to be referred to the 2012/2013 financial years's budget.
2.11. Development objective: Facilitate Human Settlements Housing Provision								
Ensure facilitation towards the eradication of the housing backlog	Number of beneficiaries approved by the Department	The beneficiary administration process is being implemented. KPI to be reviewed	Target not achieved	Number of beneficiary applications submitted to Provincial Department of Human Settlements	1650 beneficiary backlog applications submitted	No forms were submitted	Target not achieved	No system to capture the backlog and staff need training. We will request ECDOHS to assist with training of our staff. We will engage the Department of Human Settlements on the training and installation of the Needs Analysis System.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
Ensure the facilitation towards the eradication of the informal settlement	Number of beneficiaries approved by the Department	The beneficiary administration process is being implemented. KPI to be reviewed	Target not achieved	Number of beneficiary applications submitted to the Department of Human Settlements	475 beneficiary applications were submitted to Department of Human Settlements	No forms were submitted, only names for pre-screening.	Target not achieved	Challenges exist in the criteria and the processes. The process plan has been developed and ward councillors will be engaged. This project will be prioritised for the first quarter.
	N/A	N/A	N/A	Number of sites of public land available for low and medium income housing	464 sites on public land is to be made available	Need to remove the target because it has been catered for in the third quarter. Only ten sites have been sold and 17 sites serviced.	Target not achieved	Wrong targeting EIA processes have delayed the servicing of Cradock Heights.

DTIS

Development Strategy	2010-2011 Key Performance Indicator	Previous Financial year Performance 2010-2011	2010-2011 Status	Key Performance Indicator 2011-2012	Annual Target	Actual performance in 4th quarter	Status	Possible reasons for deviation and corrective action to be taken
Audit of open sites	N/A	N/A	N/A	Number of open sites audited	All open spaces are audited by 30 June 2012	Still verifying the areas to be audited and finalise the process plan	Target not achieved	No agency to the staff but need to manage the programme as the project and have timeframe. Housing unit will develop programme from the first quarter (July - September 2012) and report back monthly on progress.

ATTACHMENTS

ANNUAL FINANCIAL STATEMENTS (FOR THE YEAR ENDED 30 JUNE 2012)

COMPONENT A

REPORTING LEVEL:	DETAILS
Overview:	<p>The Finance Directorate is responsible for all financial related activities such as:</p> <ul style="list-style-type: none"> • Creditors payments (including payroll administration) • Creditors control • Indigent control • Meter reading • Budget and financial statements preparation • Insurance • VAT control • Implementing financial related legislation • Circulars • Gazettes • Supply chain management • Procurement • Financial management • Statutory reporting • Grants • Stores in line with the requirements as legislated on the Municipal Finance Management Act, Division of Revenue Act and Municipal Financial Policies <p>The Finance and Administration Directorate is sub-divided into the following sections/units:</p> <ul style="list-style-type: none"> • Revenue Management • Expenditure Management • Special Projects • Supply Chain Management Unit
Description of the Activity:	<ul style="list-style-type: none"> • Credit Control Section - this section is in charge of arrear debt collection. • Rates and Indigent Section - administers the levying of property rates and ensures that qualifying households are given access to free basic services. • Meter Reading - the accuracy of municipal accounts depends on the meter readers providing accurate readings for both electricity and water. • Supply Chain Management Unit - is responsible for the procurement, receiving, storage and distribution to primary users. • Expenditure Management - has functions such as budget preparation, administration management, financial statements preparation and VAT control. Insurance management falls into this section. • Special Projects - the responsibility of reporting to National and Provincial Treasury Government is within this section together with bank reconciliations and asset management. • Payroll administration - includes compensating all municipal officials and liaising with 3rd parties.

Analysis of Function:	Statistical information on Debtor Billings
	The directorate bills more than 23 000 accountholders on a monthly basis. Ratepayers who fall within the category of indigent receive a subsidy for municipal services in terms of Assistance to the Poor/ Indigent Policy.
	Consumer Debtors
	As at 30 June 2011, a total of R134, 9 million was past due date (compared to R126, 1 million in 2010).
	Bad Debts Written Off
	An amount of R0 (2010: R20.6m) was written off this year.
	Property Rates
	Refer to note 21 of the Annual Financial Statements for more detailed analysis.
	Indigent Policy
	The Municipality has developed an Indigent/Assistance to the Poor Policy which gives guidance on qualifying criteria to eligible communities. Households that qualify are those with an income that is less than two state pensions per month. The household income excludes grants that are received relating to child welfare. Qualifying households get rebates on their rates, sewerage, refuse, 10kl water and 50kwts electricity.
	Creditor Payments
	The Finance Directorate ensures that all creditors are paid timeously within the required number of days (usually within 30 days of receipt of an invoice) as legislated on the Municipal Finance Management Act. However, there are cases where the 30 days turnaround period is not achieved.
	Credit Rating
	The rating of Makana Municipality is performed by Moody's International Rating Agent, and the last time the rating was conducted was 2008/09 financial year, where the municipality attained a Baa2.za rating, indicating a stable performance.
	External Loans
	An approval for securing a R50 million loan from the Development Bank of South Africa (DBSA), to be paid over a period of 3 years, was made during this financial year. However, the utilisation there-of is earmarked for the 2011/12 financial year.

GENERAL INFORMATION

EXECUTIVE MAYOR - Hon. Cllr. Z.J. Peter

SPEAKER - Cllr. M.R. Madinda-Isaac

OTHER MEMBERS OF THE MAYORAL COMMITTEE

Chairperson: Finance, Administration, Monitoring & Evaluation Portfolio Committee

Chairperson: Infrastructure Development Portfolio Committee

Chairperson: Social Development Portfolio Committee

Chairperson: Local Economic Development Portfolio Committee

Chairperson: Tourism & Cultural Industries Portfolio Committee

Cllr. P Ranchhod

Cllr. N Gaga

Cllr. M Matyumza

Cllr. P Notyawa

Cllr. N Masoma

GRADING OF THE LOCAL AUTHORITY

Grade 3

EXTERNAL AUDITORS

Office of the Auditor General (Port Elizabeth) P.O. Box 210917

The Fig Tree

Port Elizabeth

6033

PRIMARY BANKER - First National Bank

REGISTERED OFFICE

City Hall

High Street

Grahamstown

6139

PO Box 176

Grahamstown

6140

Telephone: (046) 603 6130 • Facsimile: (046) 636 2472

Website: <http://www.makana.gov.za>

MUNICIPAL MANAGER (*Acting*) - Ms R. Meiring

CHIEF FINANCIAL OFFICER (*Acting*) - M. Crouse

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 100, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



R MEIRING

Acting Municipal Manager

31 August 2012

M CROUSE

Acting Chief Financial Officer

1 August 2012

MEMBERS OF THE COUNCIL

COUNCILLORS	WARD	PROPORTIONAL COUNCILLORS
Cllr. N. Ngoqo	1	
Cllr. N. Meti	2	
Cllr. M. Booysen	3	
Cllr. L. May	4	
Cllr. M. Tame	5	
Cllr. N. Masoma	6	
Cllr. M. Khubalo	7	
Cllr. B. Jackson	8	
Cllr. K. Solomon	9	
Cllr. V. Kolisi	10	
Cllr. M. Gojela	11	
Cllr. B. Fargher	12	
Cllr. M.G. Madinda	13	
Cllr. E. Louw	14	
Cllr. N. Gaga	-	Proportional
Cllr. B. Bonani	-	Proportional
Cllr. P. Ranchhod	-	Proportional
Cllr. X. Madyo	-	Proportional
Cllr. R.M. Madinda	-	Proportional
Cllr. Z. Peter	-	Proportional
Cllr. T. Ngeleza	-	Proportional
Cllr. L. Reynolds Cllr. N.C. Tyantsula	-	Proportional
Cllr. M. Matyumza Cllr. J.C. Wells	-	Proportional
Cllr. D. Waldick	-	Proportional
Cllr. N. Plaatjie	-	Proportional
Cllr. P. Notyawa	-	Proportional

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits 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.



R MEIRING
Acting Municipal Manager
31 August 2012

AUDIT COMMITTEE'S REPORT

for the year ended 30 June 2012

REPORT OF THE AUDIT COMMITTEE

1. OVERVIEW

We are pleased to present our draft report for the financial year ended 30 June 2012 subject to amendments.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder and meets as often as it deems necessary as per the approved terms of reference.

During the period under review, there were 2 ordinary meetings and 2 special meetings held.

Name of Member	Ordinary meeting 27 September 2011	Ordinary meeting 23 November 2011	Special meeting 15 December 2011	Special meeting 18 January 2012
C Mbekela (Chairperson resigned 22 September 2011)	-	-	-	-
M Madlavu (Acting Chairperson effective from 22 September 2011 Resigned 10 July 2012)	√	√	√	√
Ms A Wagenaar	√	√	√	√
Ms B Mdlalo (Resigned 20 June 2012)	√	√	√	√

The deemed resignation of Mr C Mbekela, as the Audit Committee Chairperson, on 22 September 2011, was due to his appointment as a Municipal Manager of another municipality.

On 10 July 2012, Mr Madlavu resigned as the Acting Chairperson of the Audit Committee as he was appointed as the Director, Corporate Services on the same date.

In August 2012 the Municipality appointed Mr T Mkumbuzi, as the Chairperson and Mr L Ntshinga and Ms T Mngqeta as members of the Audit Committee.

3. AUDIT COMMITTEE RESPONSIBILITY

The Audit committee has not fulfilled its responsibilities as stipulated in the Municipal Finance Management Act in conjunction with the Treasury Regulations. Due to the resignations of AC members the Audit committee was unable review the annual financial statements before it was submitted for audit. However, Ms Wagenaar conducted a high level review of the Annual Financial Statements and provided comment to the Municipality. At the time, the audit committee lacked a member with sufficient technical expertise relating to the GRAP financial reporting framework to adequately review and interrogate the financial statements. Subsequently the Municipality has appointed suitably qualified Chairperson.

The committee has adopted an appropriate formal charter, which regulate its affairs. It has also discharged its responsibilities in compliance with the approved audit charter.

4. THE EFFECTIVENESS OF INTERNAL CONTROL

In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The Audit Committee is of the opinion, based on the information and explanations given by Management, the Internal Audit Unit and discussions with the Auditor-General on the result of their audit, that the internal accounting controls have not been

effective and adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

The Audit Committee would like to draw attention to the Auditor-General's report which has been brought to its attention, which indicates that there are serious weaknesses in the functioning of controls, procedures and systems during the year under review.

Furthermore, the Audit committee has noted with concern management attitude toward the development, implementation and maintenance of internal controls was seriously lacking in many instances. This is evidenced by the fact that many issues raised by the AG and internal audit have not been adequately resolved to date.

Attendance to Audit committee meeting:

In some instances, some of the executive directors did not attend all the meetings and where representation was made by a subordinate to attend, they would often come unprepared partially prepared.

5. SUBMISSION OF IN- YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORTS IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT AND THE TREASURY REGULATIONS.

The Audit committee has been informed by management that the monthly/ quarterly in-year management reports were not compiled and submitted timeously as required in terms of legislation.

The Audit Committee is concerned with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and management during the year under review.

6. EVALUATION OF FINANCIAL STATEMENTS

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Officer.
- Reviewed the Auditor-General South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices ;
- Reviewed the municipalities compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

The Audit committee notes with concern the disclaimer of opinion; the matters listed in "Other matters" and the audit findings in respect of performance information in the Report of the Auditor-General.

We also note the particulars of the management action plan in response to the issues raised by the Auditor-General in his report. However, we are of the opinion, that in the absence of management commitment, it is doubtful that the action plan will be successfully completed.

7. INTERNAL AUDIT

We are satisfied that the internal audit function is operating efficiently and effectively and that it has addressed the risks pertinent to the municipality in its audits. We are however concerned that the findings and recommendations of Internal Audit are not appropriately considered and addressed by Management. Further, the budget allocated to activities of Internal Audit remains a concern as the budget is insufficient for Internal Audit to effectively discharge its responsibilities.

8. AUDITOR-GENERAL SOUTH AFRICA

We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.

11. CHALLENGES

The Audit Committee wishes to highlight the following risk/concern areas experienced during the year under review:

- Acting CFO for the larger part of the year due to the suspension of the Chief Financial Officer
- Audit Committee requests and recommendations are not always complied with;
- Inability to successfully implement the audit action plan. The majority of the matters reported by the Auditor-General were also reported in prior years and have not been satisfactorily addressed;
- Vacancies within the Executive Director positions;
- Management has reported that the organizational development exercise currently being conducted at the Municipality appears to indicate that high numbers of officials in the Budget and Treasury Directorate do not have the necessary qualifications and experience to adequately execute roles and responsibilities;
- The availability of supporting documentation;
- The adequacy of controls implemented;
- Unreliability of financial information and reports leading to inappropriate decision-making;
- Inaccuracy and unreliability of consumer billing amounts;
- Financial reconciliations in general;
- Challenges with the Financial System (ABAKUS);
- Training and skill levels of officials; and,
- General staff motivation.

In May 2012, Ms N Baart, the Municipal Manager was suspended and ultimately her contract was terminated by mutual agreement. The Municipality is in the process of appointing a new Municipal Manager.

10. APPRECIATION

The committee expresses its sincere appreciation to the Honorable Mayor, Municipal Manager, Senior management team, Internal Audit and the Auditor General.



**MRS A WAGENAAR(AC MEMBER) on behalf of
MRT MKUMBUZI
Audit Committee Chairperson
Date: 31 January 2013**

MAKANA MUNICIPALITY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

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

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

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

Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	(4 418 263)	(25 489 988)
Surplus / (Deficit) at the end of the Year	1 377 724 229	1 399 972 198
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	30.75%	30.89%
Remuneration of Councillors	2.31%	1.95%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	13.24%	14.98%
Impairment Losses	8.87%	9.99%
Repairs and Maintenance	3.26%	5.03%
Interest Paid	0.07%	0.09%
Bulk Purchases	19.34%	15.64%
Contracted Services	0.81%	0.72%
Grants and Subsidies Paid	6.00%	7.33%
General Expenses	15.36%	13.38%

3. OPERATING RESULTS

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

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

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

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1 399 972 198	1 428 393 846	(1.99)	-	100.00
Operating income for the year	329 576 721	294 139 916	12.05	296 610 080	11.11
Appropriations for the year	-	-	-	-	-
	1 729 548 919	1 722 533 762	0.41	296 610 080	483.11
Expenditure:					
Operating expenditure for the year	333 994 984	319 629 904	4.49	296 571 990	12.62
Sundry transfers	17 829 706	2 931 660	508.18 (1.59)	-	100.00
Closing surplus / (deficit)	1 377 724 229	1 399 972 198		38 090	3 616 923.44
	1 729 548 919	1 722 533 762	0.41	296 610 080	483.11

3.1. Rates and General Services:

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

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	92 745 069	86 323 220	7.44 (5.04)	67 920 180	36.55
Expenditure	154 453 256	162 650 227		124 474 210	24.08
Surplus/(Deficit)	(61 708 187)	(76 327 006)	(19.15)	(56 554 030)	9.11
Surplus/(Deficit) as % of total income	(66.54)%	(88.42)%		(83.27)%	

3.2. Housing Services:

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

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	-	(2 324)	(100.00)	-	-(24.49)
Expenditure	33 790	41 386	(18.35)	44 750	
Surplus/(Deficit)	(33 790)	(43 710)	(22.69)	(44 750)	(24.49)
Surplus/(Deficit) as % of total income	(100.00)%	1880.79%		(100.00)%	

3.3. Waste Management:

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

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	53 225 213	51 781 658	2.79	49 953 600	6.55 (0.17)
Expenditure	38 113 735	35 572 540	7.14	38 178 560	
Surplus/(Deficit)	15 111 478	16 209 118	(6.77)	11 775 040	28.33
Surplus/ Deficit) as % of total income	28.39%	31.30%		23.57%	

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 R62 550 574 (2011: R47 892 069). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	103 394 667	99 016 056	4.42	112 922 650	(8.44)
Expenditure	87 608 484	80 971 519	8.20	86 823 920	0.90
Surplus/(Deficit)	15 786 183	18 044 537	(12.52)	26 098 730	(39.51)
Surplus/(Deficit) as % of total income	15.27%	18.22%		23.11%	

3.5. Water Services:

Water is bought in bulk and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R2 028 314 (2011: R1 999 897). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	80 211 772	60 151 108	33.35	65 813 650	21.88
Expenditure	53 718 428	43 517 026	23.44	47 050 550	14.17
Surplus/(Deficit)	26 493 345	16 634 082	59.27	18 763 100	41.20
Surplus/(Deficit) as % of total income	33.03%	27.65% (7 008)		28.51%	

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1. Operating Budget:

DETAILS	2012	2011
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	38 090	53 412 110
Revenue variances	32 966 641	(15 830 924)
Expenditure variances:		
Employee Related Costs	5 018 281	(3 996 783)
Remuneration of Councillors	(827 188)	756 435
Collection Costs	-	-
Depreciation and Amortisation	(38 137 065)	(42 422 090)
Impairment Losses	(7 119 561)	(9 902 198)
Repairs and Maintenance	9 104 750	1 900 441
Interest Paid	(197 377)	(280 683)
Bulk Purchases	(3 296 048)	(1 570 075)
Contracted Services	1 255 189	1 066 933
Grants and Subsidies Paid	3 447 428	(1 568 761)
General Expenses	(6 671 403)	(6 396 018)
Loss on disposal of Property, Plant and Equipment	-	-
Profit/Loss on Discontinued Operation	-	(658 374)
Actual surplus/(Deficit) before appropriations	(4 418 263)	(25 489 988)

DETAILS	2012	2011
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	38 090	53 412 110
Executive and Council	(1 221 090)	1 219 806
Finance and Administration	(39 590 555)	(66 706 430)
Planning and Development	5 182 936	(11 263 618)
Health	800 486	954 961
Community and Social Services	530 965	(793 888)
Housing	10 960	(2 280)
Public Safety	4 755 822	1 581 681
Sport and Recreation	14 854 780	5 368 857
Environmental Protection	274 865	25 682
Waste Management	3 336 438	(4 266 992)
Roads and Transport	9 317 660	9 284 063
Water	7 730 245	(8 983 838)
Electricity	(10 312 547)	(5 292 963)
Other	(60 027)	(20 131)
Revenue Foregone	-	-
Actual surplus before appropriations	(4 350 972)	(25 482 980)
	67 291	7 008

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R1 377 724 229 (30 June 2011: R1 399 972 198) and is made up as follows:

Capital Replacement Reserve	-
Capitalisation Reserve	-
Donations and Public Contributions Reserve	-
Government Grants Reserve	-
Accumulated Surplus	1 377 724 229
	1 377 724 229

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

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R138 237 (30 June 2011: R601 449).

Refer to Note 18 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R51 374 540 (30 June 2011: R43 102 639).

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

Refer to Note 19 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R4 728 260 as at 30 June 2012 (30 June 2011: R4 192 594) and is made up as follows:

Provision for Long-term Service	3 544 625
Provision for Rehabilitation of Land-fill Sites	1 183 635
	4 728 260

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 20 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R142 815 048 as at 30 June 2012 (30 June 2011: R149 180 984) and is made up as follows:

Consumer Deposits	Note 13	2 097 299
Provisions	Note 14	2 565 446
Payables	Note 15	75 120 726
Unspent Conditional Grants and Receipts	Note 16	56 865 099
VAT	Note 17	5 346 888
Current Portion of Long-term Liabilities	Note 18	819 590
		142 815 048

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.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 301 240 357 as at 30 June 2012 (30 June 2011: R1 286 539 581).

11. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R12 587 802 as at 30 June 2012 (30 June 2011: R11 777 283).

The bulk of these investments are ring-fenced for purposes of the Unspent Conditional Grants, with the result that no significant amounts are available for own purposes.

Refer to Note 12 for more detail.

12. CURRENT ASSETS

Current Assets amounted R122 923 729 as at 30 June 2012 (30 June 2011: R159 139 590) and is made up as follows:

Inventories	Note 2	17 487 197
Receivables from Exchange Transactions	Note 4	52 017 803
Receivables from Non-exchange Transactions	Note 5	8 868 085
Cash and Cash Equivalents	Note 6	44 397 893
Operating Lease Assets	Note 7	54 753
		<hr/>
		122 923 729

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

Refer to the indicated Notes for more detail.

13. 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 16 and 24 for more detail.

14. 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.

.....
Acting Chief Financial Officer
31 August 2012

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

		Actual	
	Note	2012	2011
		R	R
ASSETS			
Current Assets		122 923 729	159 139 590
Inventories	2	17 487 197	15 472 293
Non-current Assets Held-for-Sale	3	98 000	-
Receivables from Exchange Transactions	4	52 017 803	60 717 278
Receivables from Non-exchange Transactions	5	8 868 085	8 222 638
Cash and Cash Equivalents	6	44 397 893	74 672 629
Operating Lease Receivables	7	54 753	54 753
		1 459 246 161	1 443 280 860
Non-Current Assets			
Property, Plant and Equipment	8	1 301 240 357	1 286 539 581
Intangible Assets	9	310 165	56 129
Investment Property	10	143 259 906	144 907 868
Heritage Assets	13	1 847 932	-
Non-current Investments	12	12 587 802	11 777 283
		1 582 169 890	1 602 420 451
Total Assets			
LIABILITIES			
Current Liabilities		142 815 048	149 180 984
Consumer Deposits	13	2 097 299	1 985 768
Provisions	14	2 565 446	2 321 399
Payables	15	75 120 726	63 890 307
Unspent Conditional Grants and Receipts	16	56 865 099	62 962 356
VAT Payable	17	5 346 888	13 520 542
Bank Overdraft	6	-	3 522 875
Current Portion of Long-term Liabilities	18	819 590	977 738
		56 241 037	47 896 682
Non-Current Liabilities			
Long-term Liabilities	18	138 237	601 449
Retirement Benefit Liabilities	19	51 374 540	43 102 639
Non-current Provisions	20	4 728 260	4 192 594
		199 056 085	197 077 667
Total Liabilities			
Total Assets and Liabilities		1 383 113 805	1 405 342 784
NET ASSETS		1 383 113 805	1 405 342 784
Statutory Funds	21	5 389 576	5 370 586
Accumulated Surplus / (Deficit)	22	1 377 724 229	1 399 972 198
		1 383 113 805	1 405 342 784
Total Net Assets			

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012	2011
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	23	38 133 329	32 337 921
Fines		567 259	1 144 351
Licences and Permits		2 098 696	2 583 655
Income for Agency Services		1 138 804	942 661
Government Grants and Subsidies Received	24	107 395 275	93 057 346
Revenue from Exchange Transactions			
Service Charges	25	163 366 888	139 827 982
Rental of Facilities and Equipment	26	1 217 445	1 034 354
Interest Earned - External Investments	27	3 939 181	4 767 261
Interest Earned - Outstanding Debtors	27	9 228 364	7 787 726
Other Income	28	2 491 480	10 815 309
Gains on Disposal of Property, Plant and Equipment		-	(158 650)
Total Revenue		329 576 721	294 139 916
EXPENDITURE			
Employee Related Costs	29	102 704 129	98 540 463
Remuneration of Councillors	30	7 703 708	6 210 055
Collection Costs		-	-
Depreciation and Amortisation	31	44 212 315	47 783 870
Impairment Losses	32	29 629 191	31 869 398
Repairs and Maintenance		10 887 460	16 038 748
Finance Costs	33	218 377	280 683
Bulk Purchases	34	64 578 888	49 891 965
Contracted Services	35	2 706 241	2 297 238
Grants and Subsidies Paid	36	20 053 402	23 392 021
General Expenses	37	51 301 273	42 667 088
Total Expenditure		333 994 984	318 971 530
OTHER REVENUE / EXPENDITURE INCURRED			
Discontinued Operations:			
Surplus / (Deficit) from Discontinued Operations	38	-	(658 374)
SURPLUS / (DEFICIT) FOR THE YEAR		(4 418 263)	(25 489 988)

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

Description	Housing Development Fund	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2011				
Balance at 30 June 2010	5 352 976	-	1 428 393 846	1 433 746 822
Change in Accounting Policy			-	-
Correction of Error			(2 931 660)	(2 931 660)
Restated Balance	5 352 976	-	1 425 462 186	1 430 815 162
Surplus / (Deficit) for the year	-		(25 489 988)	(25 489 988)
Contributions to Funds and Reserves			-	-
Interest allocated to Funds and Reserves	17 610		-	17 610
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Funds and Reserves utilised to finance PPE	-		-	-
Asset disposals		-	-	-
Offsetting of Depreciation		-	-	-
Balance at 30 June 2011	5 370 586	-	1 399 972 198	1 405 342 784
2012				
Change in Accounting Policy (Note N/A)			-	-
Correction of Error			(17 829 706)	(17 829 706)
Restated Balance	5 370 586	-	1 382 142 492	1 387 513 078
Surplus / (Deficit) for the year			(4 418 263)	(4 418 263)
Contributions to Funds and Reserves	-		-	-
Interest allocated to Funds and Reserves	18 990		-	18 990
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Funds and Reserves utilised to finance PPE	-		-	-
Asset disposals		-	-	-
Offsetting of Depreciation		-	-	-
Balance at 30 June 2012	5 389 576		1 377 724 229	1 383 113 805

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23	35 546 530	34 509 780
Grants	24	113 492 532	73 083 202
Service Charges	25	156 119 830	84 966 733
Interest Received	27	3 939 181	4 767 261
Other Receipts		5 206 329	63 063 347
Payments			
Employee Related Costs	29	(93 652 515)	(88 788 776)
Remuneration of Councillors	30	(7 703 708)	(6 210 055)
Interest Paid	33	(218 377)	(280 683)
Suppliers Paid		(66 942 170)	(32 389 102)
Other Payments		(103 781 335)	(73 593 014)
NET CASH FLOWS FROM OPERATING ACTIVITIES		42 006 297	59 128 692
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(57 295 838)	(45 714 850)
Purchase of Intangible Assets	9	(321 327)	(63 137)
Proceeds on Disposal of Property, Plant and Equipment		-	(158 650)
Decrease / (Increase) in Non-current Investments	12	(810 519)	(10 605 365)
Decrease / (Increase) in Long-term Receivables	N/A	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(58 427 684)	(56 542 003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	18	(621 360)	(1 805 316)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(621 360)	(1 805 316)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	(26 751 861)	781 373
Cash and Cash Equivalents at Beginning of Period		71 149 754	70 368 381
Cash and Cash Equivalents at End of Period		44 397 893	71 149 754

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	36 990 890	-	-	36 990 890	38 133 329	1 142 439	103.09	103.09
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	0.00	0.00
Fines	733 360	-	-	733 360	567 259	(166 101)	77.35	77.35
Licences and Permits	2 348 580	-	-	2 348 580	2 098 696	(249 884)	89.36	89.36
Income for Agency Services	650 000	-	-	650 000	1 138 804	488 804	175.20	175.20
Government Grants and Subsidies Received	63 997 510	-	-	63 997 510	58 429 495	(5 568 015)	91.30	91.30
Public Contributions and Donations	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions								
Service Charges	176 035 800	-	-	176 035 800	163 366 888	(12 668 912)	92.80	92.80
Rental of Facilities and Equipment	1 403 020	-	-	1 403 020	1 217 445	(185 575)	86.77	86.77
Interest Earned - External Investments	4 800 000	-	-	4 800 000	3 939 181	(860 819)	82.07	82.07
Interest Earned - Outstanding Debtors	8 000 000	-	-	8 000 000	9 228 364	1 228 364	115.35	115.35
Dividends Received	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	0.00	0.00
Other Income	1 650 920	-	-	1 650 920	2 491 480	840 560	150.91	150.91
Other Gains on Continued Operations	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	296 610 080	-	-	280 610 940	(15 999 140)	94.61	94.61
Total Revenue	Original Total Budget	Budget Adjustments	Virement	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Description	R	R	R	R	R	R	R
Expenditure							
Employee Related Costs	108 442 410	(720 000)	-	102 704 129	(5 018 281)	95.34	94.71
Remuneration of Councillors	6 876 520	-	-	7 703 708	827 188	112.03	112.03
Collection Costs	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	6 075 250	-	-	44 212 315	38 137 065	727.74	727.74
Impairment Losses	22 509 630	-	-	29 629 191	7 119 561	131.63	131.63
Repairs and Maintenance	19 972 210	20 000	-	10 887 460	(9 104 750)	54.46	54.51
Finance Costs	21 000	-	-	218 377	197 377	1 039.89	1 039.89
Bulk Purchases	61 282 840	-	-	64 578 888	3 296 048	105.38	105.38
Contracted Services	3 640 430	321 000	-	2 706 241	(1 255 189)	68.31	74.34
Grants and Subsidies Paid	23 806 830	(306 000)	-	20 053 402	(3 447 428)	85.33	84.23
Research and Development Costs	-	-	-	-	-	0.00	0.00
General Expenses	43 982 960	646 910	-	51 301 273	6 671 403	114.95	116.64
Other Losses on Continued Operations	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	0.00	0.00
Total Expenditure	296 610 080	(38 090)	-	333 994 984	37 422 994	112.62	112.60

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
Surplus/(Deficit)	-	38 090	-	38 090	(53 384 043)	(53 422 133)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	48 965 780	48 965 780	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	-	38 090	-	38 090	(4 418 263)	(4 456 353)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) for the Year	-	38 090	-	38 090	(4 418 263)	(4 456 353)	-	-

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	32 307 437	2 415 563	-	34 723 000	32 337 921	(2 385 079)	93.13	100.09
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	0.00	0.00
Fines	1 189 079	(476 329)	-	712 750	1 144 351	431 601	160.55	96.24
Licences and Permits	76 855	1 997 985	-	2 074 840	2 583 655	508 815	124.52	3 361.73
Income for Agency Services	6 347 313	(5 647 313)	-	700 000	942 661	242 661	134.67	14.85
Government Grants and Subsidies Received	400 384 917	(289 165 767)	-	111 219 150	52 004 816	(59 214 334)	46.76	12.99
Public Contributions and Donations	(8 000)	8 000	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions								
Service Charges	186 566 938	(44 098 718)	-	142 468 220	139 827 982	(2 640 238)	98.15	74.95
Rental of Facilities and Equipment	816 205	354 425	-	1 170 630	1 034 354	(136 276)	88.36	126.73
Interest Earned - External Investments	13 000 000	(5 500 000)	-	7 500 000	4 767 261	(2 732 739)	63.56	36.67
Interest Earned - Outstanding Debtors	2 120 000	5 880 000	-	8 000 000	7 787 726	(212 274)	97.35	367.35
Dividends Received	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	0.00	0.00
Other Income	2 705 066	(1 302 816)	-	1 402 250	10 815 309	9 413 059	771.28	399.82
Other Gains on Continued Operations	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	(158 650)	(158 650)	0.00	0.00
Profit on Sale of Land	4 166 767	(4 166 767)	-	-	-	-	0.00	0.00
Total Revenue	649 672 577	(339 701 737)	-	309 970 840	253 087 386	(56 883 454)	81.65	38.96

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
Employee Related Costs	152 864 589	(58 320 909)	-	94 543 680	98 540 463	3 996 783	104.23	64.46
Remuneration of Councillors	14 483 810	(7 517 320)	-	6 966 490	6 210 055	(756 435)	89.14	42.88
Collection Costs	100 000	(100 000)	-	-	-	-	0.00	0.00
Depreciation and Amortisation	44 191 038	(38 829 258)	-	5 361 780	47 783 870	42 422 090	891.19	108.13
Impairment Losses	32 193 880	(10 226 680)	-	21 967 200	31 869 398	9 902 198	145.08	98.99
Repairs and Maintenance	66 415 744	(48 476 555)	-	17 939 189	16 038 748	(1 900 441)	89.41	24.15
Finance Costs	-	-	-	-	280 683	280 683	0.00	0.00
Bulk Purchases	106 200 000	(57 878 110)	-	48 321 890	49 891 965	1 570 075	103.25	46.98
Contracted Services	13 828 009	(10 463 838)	-	3 364 171	2 297 238	(1 066 933)	68.29	16.61
Grants and Subsidies Paid	29 185 553	(7 362 293)	-	21 823 260	23 392 021	1 568 761	107.19	80.15
Research and Development Costs	-	-	-	-	-	-	0.00	0.00
General Expenses	25 855 104	10 415 966	-	36 271 070	42 667 088	6 396 018	117.63	165.02
Other Losses on Continued Operations	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Total Expenditure	485 317 727	(228 758 997)	-	256 558 730	318 971 530	62 412 800	124.33	65.72
Surplus/(Deficit)	164 354 850	(110 942 740)	-	53 412 110	(65 884 143)	(119 296 253)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	41 052 530	41 052 530	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	0.00	0.00

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Surplus / (Deficit) from Discontinued Operations	R -	-	-	R -	R (658 374)	R (658 374)	0,00	0,00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	0,00	0,00
Surplus/(Deficit for the Year	164 354 850	(110 942 740)	-	53 412 110	(25 489 988)	(78 902 098)	-	-

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

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.

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 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances: is required by a Standard of GRAP; or 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 relevant. Actual results may differ from these estimates.

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

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

1.2.1. Revenue Recognition

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

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

1.2.2. Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

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

1.2.3. Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement , and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of

the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

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

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

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

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R2 004 432, whilst no impairments were made to intangible assets or inventory.

1.2.6. Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1.2.7. Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the

liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1.2.8. Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2010: 5.5%) and discounted to the present value:

For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2010: 11.3475%).

For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2010: 11.3475%).

Provision for Rehabilitation of XXX River

The provision is in relation to the Municipality's obligation to address the environmental pollution of the XXX River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the XXX River.

1.2.9. Budget information

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

1.3. Presentation Currency

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

1.4. Going Concern Assumption

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

1.5. Offsetting

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

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

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

GRAP 18 Segment Reporting - issued March 2005
 GRAP 20 Related Party Disclosures (Revised)
 GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
 GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
 GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
 GRAP 25 Employee Benefits - issued December 2009
 GRAP 26 Impairment of Cash-generating Assets - issued March 2009
 GRAP 103 Heritage Assets - issued July 2008
 GRAP 104 Financial Instruments - issued October 2009
 GRAP 105 Transfers between entities under common control - issued November 2010
 GRAP 106 Transfers between entities not under common control - issued November 2010
 GRAP 107 Mergers - issued November 2010

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

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

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

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards: Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009) Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008) Financial Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

AS an alternative the following disclosure can be included instead

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

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

GRAP 21 – Impairment of Non-Cash Generating Assets

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows. The Municipality has considered the principles set by this standard in developing its general asset impairment policy and therefore does not expect any significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 23 – Revenue from Non-Exchange Transactions

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

GRAP 24 – Presentation of Budget Information in the Annual Financial Statements

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided.

GRAP 25 – Employee Benefits

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

effective date.

GRAP 26 – Impairment of cash-generating assets

This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the Municipality in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

GRAP 103 – Heritage Assets

This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as 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. The Municipality currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment. The key impact of GRAP 103 will therefore only be changes in disclosures.

GRAP 104 – Financial Instruments

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. The key principles established by this standard have already been utilised to develop appropriate accounting policies for accounting for financial instruments and therefore it is not expected to have a significant impact on the financial statements when it becomes effective (refer accounting policy Note 12). This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control.

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

GRAP 106 – Transfer of Function Between Entities Not

Under common Control

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

GRAP 107 – Mergers

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

2. ACCUMULATED SURPLUS

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

2.1. Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Entity.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial

Performance.

2.2. Revaluation Reserve

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

2.3. Other Reserves

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

2.3.1. Capital replacement reserve (CRR)

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

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

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

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

2.3.2. Capitalisation Reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be

incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

2.3.3. Insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets. Reinsurance premiums paid to external reinsurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the insurance reserve via the Statement of Changes in Net Assets as a contribution.

An actuarial valuation is obtained each year to assess the adequacy of the insurance reserve at year-end.

2.3.4. Compensation for occupational injuries and diseases (COID) reserve

The Entity has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993).

The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Entity deposits cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the Entity

as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1. Initial Recognition

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

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

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

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets,

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

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

3.2. Subsequent Measurement

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

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

Infrastructure assets are stated at the depreciated replacement cost.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

An increase in the carrying amount of land and buildings as

a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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

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

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

3.3. Depreciation

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

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

Refer to the Asset Management Policy for the Useful Lives of Assets.

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

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. Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3.9. Derecognition of property, plant and equipment

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. HERITAGE ASSETS

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their

estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

4.1. Initial Recognition

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

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

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

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

4.2. Subsequent Measurement

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

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

4.3. Derecognition of Heritage assets

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

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

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

Transitional provisions

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

5. INTANGIBLE ASSETS

5.1. Initial Recognition

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

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

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

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

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the

cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5.2. Subsequent Measurement, Amortisation and Impairment

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

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus.

However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.

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

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

Intangible asset	Years
Software	3
Website	5

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

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial

year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5.3. Derecognition

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

Transitional provisions

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

6. INVESTMENT PROPERTY

6.1. Initial Recognition

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

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

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

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);

- include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

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

6.2. Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6.3. Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when

the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

6.4. Transitional Provisions

Investment properties recognised in terms of GRAP 16 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

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

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

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at at revalued amount in reduces the revaluation surplus for that asset. The decrease

shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

the carrying amount of the assets of the unit as follows:

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

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

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

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

7.2. Impairment of Non-Cash generating assets

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

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

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

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

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

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is

allocated to reduce the carrying amount of the assets of the unit as follows:

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

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

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

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

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

8. FINANCIAL INSTRUMENTS

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

Initial recognition

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

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

Fair value methods and assumptions

The fair values of financial instruments are determined as follows: The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

8.1. Financial Assets - Classification

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

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

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

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

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

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

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

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

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

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

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

8.2. Financial Liabilities - Classification

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

- Long-term Liabilities Other financial liabilities (Financial liabilities measured at amortised cost)
- Certain Other Creditors (see note 9) Other financial liabilities (Financial liabilities measured at amortised cost)
- Bank Overdraft Other financial liabilities (Financial liabilities measured at amortised cost)
- Short-term loans Other financial liabilities (Financial liabilities measured at amortised cost)
- Consumer Deposits Financial liabilities at fair value through profit and loss

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

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

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

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

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

8.3. Initial and Subsequent Measurement

8.3.1. Financial Assets:

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

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

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

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

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

8.3.2. Financial Liabilities:

Financial liabilities

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

Financial Liabilities held at amortised cost

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

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

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails

to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

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

8.4. Impairment of Financial Assets

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

Available-for-sale financial assets

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

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with

the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

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

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

8.5. Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8.6. Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVESTMENT IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

10. INVENTORIES

10.1. 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.

10.2. Subsequent Measurement

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

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

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

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

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

Unsold properties

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

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by

public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2012 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

11. NON-CURRENT ASSETS HELD-FOR-SALE

11.1. Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

11.2. Subsequent Measurement

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

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

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

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

12.1. General

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

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

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

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

12. 2. Revenue from Exchange Transactions

12. 2. 1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based

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

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

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

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

12. 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.

12.2.3. 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.

12.2.4. Tariff Charges

Revenue arising from the application of the approved tariff of

charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

12.2.5. 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.

12.2.6. 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.

12.2.7. Rentals

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

12.2.8. Dividends

The substance of the relevant agreement, where applicable.

12.2.9. Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

12.3. Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that

meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

12.3.1. 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.

12.3.2. Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

12.3.3. Public contributions

(Policy where an entity continues to only apply GRAP 9 and paragraphs .29 to .35, .39 to .54, .61(b)(iii), (vi), (viii), (ix) and .62 (a) & (b)

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

(Alternative Acc policy where a Municipality where GRAP 23 has been adopted, or where GRAP 23 has been used to formulate an accounting policy with GRAP 9 and paragraphs .29 to .35, .39 to .54, .61(b)(iii), (vi), (viii), (ix) and .62 (a) & (b) of GAMAP 9 (as per GRAP 9.44)

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

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

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

12.3.4. Government Grants and receipts

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

Conditional Grants and receipts

Income received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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.

(Alternative Acc policy where a Municipality where GRAP 23 has been adopted, or where GRAP 23 has been used to formulate an accounting policy with GRAP 9 and paragraphs .29 to .35, .39 to .54, .61(b)(iii), (vi), (viii), (ix) and .62 (a) & (b) of GAMAP 9 (as per GRAP 9.44)

Conditional grants and receipts of a capital nature

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

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

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

12.3.5. Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

13. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

Provision for Restructuring Cost

met:

- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and;

The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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.

14. EMPLOYEE BENEFITS

14.1. Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The

municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

14.2. Post Employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

14.2.1. 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.

14.3. Defined Benefit Plans

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

14.3.1. Post-Retirement Health Care Benefits:

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

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

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

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

14.3.2. Long-Service Allowance

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

14.3.3. Provincially-Administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

14.3.4. Defined benefit pension plans

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

The liability recognised in the balance sheet in respect of

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

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

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

Where the Municipality develops an accounting policy in accordance with GRAP 25, the treatment of actuarial gains and losses, as well as past service cost will be as follows:

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

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

15. 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

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.

15.1. The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are

included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

15.2. The Municipality as Lessor

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

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

15.3. Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A

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

16. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

17. 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.

18. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. IRREGULAR EXPENDITURE

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

21. FRUITLESS AND WASTEFUL EXPENDITURE

Expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial

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

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. 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.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

26. COMPARATIVE INFORMATION

26.1. Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

26.2. Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

26.3. Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will

be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

29. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

1. GENERAL INFORMATION

Makana Municipality is a local government institution in Grahamstown, Eastern Cape Province, and is one of nine local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	3 076 258	2 636 229
Maintenance Materials - at cost	4 045 672	3 342 945
Water - at cost	10 365 268	9 493 119
Total Inventories	17 487 197	15 472 293

The cost of water production for the year amounted to R5,89 per kilolitre (2011: R5,40 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Vehicles Held-for-Sale - at cost	98 000	-
Net Non-current Assets Held-for-Sale	98 000	-

3.1. Vehicles Held-for-Sale

The municipality intends to dispose of vehicles within the next year. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2012			
Service Debtors:	165 140 158	124 218 273	40 921 886
Electricity	48 177 393	24 246 199	23 931 193
Refuse	12 706 094	13 795 582	(1 089 488)
Sewerage	33 468 251	26 206 392	7 261 858
Water	70 788 421	59 970 099	10 818 322
Other Receivables	7 971 897	5 323 391	2 648 507
Debtors in Credit	8 447 410		8 447 410
Total Receivables from Exchange Transactions	181 559 466	129 541 663	52 017 803
	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2011			
Service Debtors:	139 839 374	107 834 149	32 005 225
Electricity	39 351 302	22 132 376	17 218 927
Refuse	9 276 412	12 003 431	(2 727 020)
Sewerage	30 988 025	23 419 907	7 568 118
Water	60 223 635	50 278 435	9 945 200
Other Receivables	16 967 523	5 760 981	11 206 542
Debtors in Credit	17 505 511		17 505 511
Total Receivables from Exchange Transactions	174 312 408	113 595 130	60 717 278

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

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 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.

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

4.1. Reconciliation of the Provision for Impairment

Balance at beginning of year	113 595 130	95 630 629
Impairment Losses recognised	25 564 621	23 831 554
Impairment Losses reversed	(396 387)	-
Amounts written off as uncollectable	(9 221 700)	(5 867 052)
Amounts recovered	-	-
Balance at end of year	129 541 663	113 595 130

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.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.2. Summary of Aged Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government
2012	R	R	R
<u>Current:</u>			
<u>0 - 30 days</u>	6 771 331	4 676 522	1 606 449
<u>Past Due:</u>			
<u>31 - 60 Days</u>	4 687 835	1 818 153	721 443
<u>61 - 90 Days</u>	3 497 502	2 165 773	642 721
<u>+ 90 Days</u>	115 407 339	22 492 502	10 088 490

	2012	2011
	R	R
	Household	Industrial/ Commercial
2011	R	R
	National and Provincial Government	
	R	R
Current:		
<u>0 - 30 days</u>	6 699 511	2 501 485
<u>Past Due:</u>		
<u>31 - 60 Days</u>	4 221 171	1 380 811
<u>61 - 90 Days</u>	3 969 208	807 559
<u>+ 90 Days</u>	100 972 433	19 960 662
		11 724 296

4.3. Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2012			
Assessment Rates Debtors	32 429 118	26 038 640	6 390 478
Payments Made In Advance	234 612	-	234 612
Sundry Deposits	772 958	-	772 958
Sundry Debtors	1 470 036	-	1 470 036
Total Receivables from Non-exchange Transactions	34 906 725	26 038 640	8 868 085

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2011			
Assessment Rates Debtors	29 842 319	24 756 083	5 086 236
Payments Made In Advance	282 850	-	282 850
Short-Term Loans	-	-	-
Sundry Deposits	826 358	-	826 358
Sundry Debtors	2 027 194	-	2 027 194
Total Receivables from Non-exchange Transactions	32 978 721	24 756 083	8 222 638

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.

	2012	2011
	R	R
5.1 Summary of Aged Receivables from Non-Exchange Transactions by Customer Classification		
	Household	Industrial/ Commercial
		National and Provincial Government
2012	R	R
<u>Current:</u>		
0 - 30 days	1 756 073	336 153
<u>Past Due:</u>		
31 - 60 Days	592 334	140 728
61 - 90 Days	464 022	125 778
+ 90 Days	22 383 235	3 217 413
	Household	Industrial/ Commercial
		National and Provincial Government
2011	R	R
<u>Current:</u>		
0 - 30 days	1 490 494	350 831
<u>Past Due:</u>		
31 - 60 Days	744 189	154 757
<u>61 - 90 Days</u>	531 211	108 295
+ 90 Days	21 164 402	3 355 234

	2012	2011
	R	R
5.2. Reconciliation of Provision for Impairment		
Balance at beginning of year	24 756 083	21 885 198
Impairment Losses recognised	4 492 149	8 037 844
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(3 209 592)	(5 166 959)
Amounts recovered	-	-
Balance at end of year	26 038 640	24 756 083

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

	2012	2011
	R	R
6. CASH AND CASH EQUIVALENTS		
Current Investments	38 012 590	74 665 337
Bank Accounts	6 381 354	-
Bank Overdraft	-	(3 522 875)
Other Cash and Cash Equivalents	3 950	7 293
Total Bank, Cash and Cash Equivalents	44 397 893	71 149 754

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.

6.1. Current Investment Deposits

Call Deposits	35 045 150	71 796 110
Notice Deposits	2 967 440	2 869 227
Total Current Investment Deposits	38 012 590	74 665 337

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,90 % to 5,50 % (2011: 4,90% to 5,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,40 % to 6,53 % (2011: 5,40 % to 6,53 %)per annum.

All Current and Non-Current Investment deposits as at 30 June 2012 are held in the following bank accounts:

Bank	Account Number	Amount (R)
ABSA	2066033895	532 741
ABSA	2066155099	576 394
ABSA	9095609301	0
ABSA	9168089016	4 145 529
ABSA	9211543694	1 165 475
FNB	62052337865	194 943
FNB	62056520416	437 468
FNB	62057566716	3 309
FNB	62057568259	105 888
FNB	62058985288	153 235
FNB	62069107590	969 903
FNB	62069108085	1 221
FNB	62073369607	114 442
FNB	62086421048	180 449
FNB	62086424703	3 714
FNB	62233411884	184 003
FNB	71113058913	3 423 302
FNB	71114249115	7 641 615
FNB	74113055145	1 443 753
FNB	74113056383	826 389
GBS MUTUAL	2250600047	991 372
GBS MUTUAL	2250600058	4 935 091
GBS MUTUAL	2250604601	166 218
GBS MUTUAL	2250604634	0
GBS MUTUAL	2250604645	135 726
GBS MUTUAL	3059700042	164 557
GBS MUTUAL	3059700053	119 311
INVESTEC	1400-190369-500	1 358 870
NEDBANK	03/7881065141/000001	6 375 192
STANDARD	088805662 - 002	2 413 441
STANDARD	088807657-004	157 753
STANDARD	088812685-001 / 004	325 318
STANDARD	088812723 - 001	1 129 486
STANDARD	088822370-001	9 904 408
STANDARD	088822370-001	9 904 408

	2012	2011
	R	R
6.2. Bank Accounts		
Cash in Bank	6 381 354	-
Bank Overdraft	-	(3 522 875)
Total Bank Accounts	6 381 354	(3 522 875)

The Municipality has the following bank accounts:

Primary Bank Accounts

Cash book balance at beginning of year	(3 522 875)	(3 903 082)
Cash book balance at end of year	6 381 354	(3 522 875)

First National Bank, Grahamstown - Account Number 620 312 325 31:

Bank statement balance at beginning of year	1 061 715	1 789 603
Bank statement balance at end of year	7 415 493	1 061 715

Standard Bank, Grahamstown:

Bank statement balance at beginning of year	3 026 124	990 771
Bank statement balance at end of year	522 693	3 026 124

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3. Cash and Cash Equivalents

Cash Floats and Advances	3 950	7 293
Total Cash on hand in Cash Floats, Advances and Equivalents	3 950	7 293

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
 7. OPERATING LEASE ASSETS / 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	54 753	54 753
Operating Lease Revenue recorded	-	-
Operating Lease Revenue effected	-	-
Total Operating Lease Assets	54 753	54 753

7.1. Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned and leased out by the municipality. 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.

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
- (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Other	Leased Infrastructure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2011	733 354 941	480 017 481	53 275 850	19 891 309	-	1 286 539 581
Cost	751 872 469	535 760 993	57 650 142	25 784 020	-	1 371 067 625
- Completed Assets	751 872 469	491 098 706	53 013 176	25 784 020	-	1 321 768 372
- Under Construction	-	44 662 287	4 636 967	-	-	49 299 253
Correction of error (Note 39)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(18 517 528)	(55 743 512)	(4 374 293)	(5 892 712)	-	(84 528 045)
- Cost	(18 517 528)	(55 743 512)	(4 374 293)	(5 892 712)	-	(84 528 045)
- Revaluation	-	-	-	-	-	-
Acquisitions	285 343	8 311 125	2 940 276	5 691 244	-	17 227 988
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	288 138	32 652 194	7 127 518	-	-	40 067 850
- Cost	288 138	32 652 194	7 127 518	-	-	40 067 850
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(8 973 179)	(27 349 240)	(2 182 595)	(3 992 048)	-	(42 497 061)
- Based on Cost	(8 973 179)	(27 349 240)	(2 182 595)	(3 992 048)	-	(42 497 061)
- Based on Revaluation	-	-	-	-	-	-

Description	Land and Buildings	Infrastructure	Community	Other	Leased Infrastructure	Total
	R	R	R	R	R	R
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(98 000)	-	(98 000)
- Cost	-	-	-	(98 000)	-	(98 000)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(5 081 520)	0	-	-	(5 081 520)
Other Movements	-	5 081 520	(0)	-	-	5 081 520
- Cost	-	5 081 520	(0)	-	-	5 081 520
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-

Description	Land and Buildings	Infrastructure	Community	Other	Leased Infrastructure	Total
	R	R	R	R	R	R
Carrying values at 30 June 2012	724 955 243	493 631 560	61 161 049	21 492 505	-	1 301 240 357
Cost	752 445 950	576 724 312	67 717 936	31 377 265	-	1 428 265 463
- Completed Assets	752 157 812	504 491 351	55 953 452	31 377 265	-	1 343 979 880
- Under Construction	288 138	72 232 960	11 764 485	-	-	84 285 583
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(27 490 707)	(83 092 752)	(6 556 887)	(9 884 760)	-	(127 025 106)
- Cost	(27 490 707)	(83 092 752)	(6 556 887)	(9 884 760)	-	(127 025 106)
- Revaluation	-	-	-	-	-	-

Carrying values at 01 July 2010	741 128 141	473 046 964	49 974 030	17 444 137	-	1 281 593 272
Cost	750 699 089	501 640 389	52 219 816	20 793 481	-	1 325 352 775
- Completed Assets	750 576 250	460 117 616	52 219 816	20 793 481	-	1 283 707 163
- Under Construction	122 839	41 522 773	-	-	-	41 645 612
Correction of error (Note 39)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(9 570 948)	(28 593 425)	(2 245 786)	(3 349 344)	-	(43 759 503)
- Cost	(9 570 948)	(28 593 425)	(2 245 786)	(3 349 344)	-	(43 759 503)
- Revaluation	-	-	-	-	-	-
Acquisitions	123 540	1 308 325	793 360	4 990 540	-	7 215 764
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	1 049 841	32 812 279	4 636 967	-	-	38 499 087
- Cost	1 049 841	32 812 279	4 636 967	-	-	38 499 087
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(8 946 581)	(27 150 087)	(2 128 507)	(2 543 368)	-	(40 768 542)
- Based on Cost	(8 946 581)	(27 150 087)	(2 128 507)	(2 543 368)	-	(40 768 542)
- Based on Revaluation	-	-	-	-	-	-

Description	Land and Buildings	Infrastructure	Community	Other	Leased Infrastructure	Total
	R	R	R	R	R	R
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	(1 172 680)	(29 672 765)	-	-	-	(30 845 445)
Other Movements	1 172 680	29 672 765	-	-	-	30 845 445
- Cost	1 172 680	29 672 765	-	-	-	30 845 445
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-

Description	Land and Buildings	Infrastructure	Community	Other	Leased Infrastructure	Total
	R	R	R	R	R	R
Carrying values at 30 June 2011	733 354 941	480 017 481	53 275 850	19 891 309	-	1 286 539 581
Cost	751 872 469	535 760 993	57 650 142	25 784 020	-	1 371 067 625
- Completed Assets	751 872 469	491 098 706	53 013 176	25 784 020	-	1 321 768 372
- Under Construction	-	44 662 287	4 636 967	-	-	49 299 253
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(18 517 528)	(55 743 512)	(4 374 293)	(5 892 712)	-	(84 528 045)
- Cost	(18 517 528)	(55 743 512)	(4 374 293)	(5 892 712)	-	(84 528 045)
- Revaluation	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
9. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	310 165	56 129

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2011	56 129	56 129
Cost	63 137	63 137
Accumulated Amortisation	(7 008)	(7 008)
Acquisitions:	321 327	321 327
Purchased	321 327	321 327
Internally Developed	-	-
	(67 291)	(67 291)
Amortisation:		
Purchased	(67 291)	(67 291)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Transfers:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
	310 165	310 165
Carrying values at 30 June 2012		
Cost	384 464	384 464
Accumulated Amortisation	(74 300)	(74 300)
	Computer Software	Total
Carrying values at 01 July 2010	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions:	63 137	63 137
Purchased	63 137	63 137
Internally Developed	-	-

	2012 R	2011 R
Amortisation:	(7 008)	(7 008)
Purchased	(7 008)	(7 008)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Transfers:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2011	56 129	56 129
Cost	63 137	63 137
Accumulated Amortisation	(7 008)	(7 008)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

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.

9.1. Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9.2 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.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

9.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

143 259 906

144 907 868

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

144 907 868

146 555 830

Cost

148 339 900

148 339 900

Accumulated Depreciation

(3 432 032)

(1 784 070)

Acquisitions during the Year

-

-

Depreciation during the Year

(1 647 962)

(1 647 962)

Disposals during the Year:

-

-

At Cost

-

-

At Accumulated Depreciation

-

-

Transfers during the Year:

-

-

At Cost

-

-

At Accumulated Depreciation

-

-

Carrying values at 30 June

143 259 906

144 907 868

Cost

148 339 900

148 339 900

Accumulated Depreciation

(5 079 994)

(3 432 032)

	2012 R	2011 R
11. HERITAGE ASSETS		
At Cost less Accumulated Impairment Losses	1 847 932	-
12. NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	12 587 802	11 777 283
Total Investments		
All Investments	12 587 802	11 777 283
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	12 587 802	11 777 283

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 9,42 % to 15,27 % per annum.

Included in Non-Current investments are balances ring-fenced for the following specific purposes:

13. CONSUMER DEPOSITS

Electricity and Water	2 097 299	1 985 768
Total Consumer Deposits	2 097 299	1 985 768
Guarantees held in lieu of Electricity and Water Deposits	1 775 596	1 775 596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

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

	2012 R	2011 R
14. PROVISIONS		
Performance Bonuses	-	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	1 752 588	1 564 728
Current Portion of Non-Current Provisions (See Note 19):	812 858	756 671
Long-term Service	812 858	756 671
Rehabilitation of Land-fill Sites	-	-
Total Provisions	2 565 446	2 321 399

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2012		
Balance at beginning of year	756 671	1 564 728
Transfer from non-current	56 187	187 860
Expenditure incurred	-	-
Balance at end of year	812 858	1 752 588
30 June 2011		
Balance at beginning of year	374 965	1 594 951
Transfer from/to non-current	381 706	(30 223)
Balance at end of year	756 671	1 564 728

	2012 R	2011 R
15. PAYABLES		
Trade Creditors	13 629 080	973 314
Payments received in Advance	45 268	-
Retentions	1 422 742	635 730
Staff Bonuses	-	-
Staff Leave Accrued	6 873 374	5 104 038
Sundry Deposits	1 572 177	1 274 361
Other Creditors	43 130 675	38 397 353
Debtors in Credit	8 447 410	17 505 511
Total Creditors	75 120 726	63 890 307

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions.

The provision is an estimate of the amount due at the reporting date.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

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

	2012	2011
	R	R
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
16.1. Conditional Grants from Government	<u>56 865 099</u>	<u>62 962 356</u>
Total Conditional Grants and Receipts	<u>56 865 099</u>	<u>62 962 356</u>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 24 for the reconciliation of Grants from Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

17. VAT PAYABLE

Vat Payable	<u>5 346 888</u>	<u>13 520 542</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

18. LONG-TERM LIABILITIES

Annuity Loans	463 213	1 084 573
Finance Lease Liabilities	494 614	494 614
Sub-total	<u>957 827</u>	<u>1 579 187</u>
Less: Current Portion transferred to Current Liabilities:-	819 590	977 738
Local Registered Stock	-	-
Annuity Loans	463 213	621 360
Finance Lease Liabilities	356 378	356 378
Government Loans	-	-
Other Loans	-	-
Total Long-term Liabilities	<u>138 237</u>	<u>601 449</u>

Including in Annuity Loans is an INCA Loan agreement with a closing balance as at 30 June 2012 of R463,213 (2011: 1084573) that is secured by Rhodes University Rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
19. RETIREMENT BENEFIT LIABILITIES		
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	43 102 639	33 724 361
Contributions to Provision	5 905 748	4 129 484
Increase due to Discounting	4 118 741	6 812 528
Expenditure incurred	(1 564 728)	(1 593 957)
Balance at end of Year	<u>51 562 400</u>	<u>43 072 416</u>
Transfer to/from Current Provisions	(187 860)	30 223
Total Post-retirement Health Care Benefits Liability	<u>51 374 540</u>	<u>43 102 639</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	296	293
In-service Non-members (Employees)	297	297
Continuation Members (Retirees, widowers and orphans)	69	67
Total Members	<u>662</u>	<u>657</u>

The liability in respect of past service has been estimated as follows:

In-service Members	29 814 382	
Continuation Members	23 312 746	
Total Liability	<u>53 127 128</u>	<u>-</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2012 is estimated to be R2 110 800, whereas the cost for the ensuing year is estimated to be R2 531 900 (30 June 2011: R1 220 530 and R2 110 800 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.92%	8.64%
Health Care Cost Inflation Rate	7.00%	7.32%
Net Effective Discount Rate	0.86%	1.23%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	43 042 194	33 724 361
Current service costs	2 110 800	1 220 530
Interest cost	3 794 909	2 909 948
Benefits paid	(1 564 728)	(1 594 951)
Actuarial losses / (gains)	4 118 741	6 812 528

Present Value of Fund Obligation at the end of the Year	51 501 916	43 072 416
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Less: Current Portion		(30 223)
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Total Recognised Benefit Liability	51 314 056	43 042 194
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	51 374 540	43 102 639
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2 110 800	1 220 530
Interest cost	3 794 909	2 909 948
Actuarial losses / (gains)	4 118 741	6 812 528

Total Post-retirement Benefit included in Employee Related Costs (Note 29)	10 024 450	10 943 006
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	2012 R	2011 R
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	7 064 100	4 909 900
Effect on the defined benefit obligation	62 054 000	52 000 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	4 986 000	3 507 800
Effect on the defined benefit obligation	45 894 000	38 707 000

The municipality expects to make a contribution of R5 310 million (2011: R5 310 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 47, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

20. NON-CURRENT PROVISIONS

Provision for Long Service Awards	3 544 625	3 008 959
Provision for Rehabilitation of Land-fill Sites	1 183 635	1 183 635
Total Non-current Provisions	4 728 260	4 192 594

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	3 008 959	1 183 635
Contributions to provision	1 122 424	-
Increase due to discounting	226 100	-
Expenditure incurred	(756 671)	-
	3 600 812	1 183 635
Transfer to current provisions	(56 187)	-
Balance at end of year	3 544 625	1 183 635

	2012 R	2011 R
	Long-service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	2 127 937	1 161 709
Contributions to provision	578 014	21 926
Increase due to discounting	1 059 679	-
Expenditure incurred	(374 965)	-
	3 390 665	1 183 635
Transfer to current provisions	(381 706)	-
Balance at end of year	3 008 959	1 183 635

20.1. Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 546 (2011: 567) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R869 583, whereas the cost for the ensuing year is estimated to be R909 523 (30 June 2011: R384 692 and R869 583 respectively).

	2012 R	2011 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	6.05%	7.45%
Cost Inflation Rate	5.97%	6.19%
Net Effective Discount Rate	0.07%	1.19%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3 008 959	2 127 937
Current service costs	869 583	384 692
Interest cost	252 841	193 323
Benefits paid	(756 671)	(374 965)
Actuarial losses / (gains)	226 100	1 059 679
Present Value of Fund Obligation at the end of the Year	3 600 812	3 390 665
Less: Transferred to Current Portion	(56 187)	(381 706)
Total Recognised Benefit Liability	3 544 625	3 008 959
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 544 625	3 008 959
Total Benefit Liability	3 544 625	3 008 959
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	869 583	384 692
Interest cost	252 841	193 323
Actuarial losses / (gains)	226 100	1 059 679
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 348 524	1 637 693
	226 100.00	1 059 679.00

	2012 R	2011 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 169 371	
Effect on the defined benefit obligation	7 064 100	
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 079 545	
Effect on the defined benefit obligation	4 164 000	

The municipality expects to make a contribution of R1 231 million (2011: R1 231 million) to the defined benefit plans during the next financial year.

21. STATUTORY FUNDS

Statutory Fund No 1	-	-
Housing Development Fund:	5 389 576	5 370 586
Unappropriated Surplus	5 389 576	5 370 586
Loans extinguished by Government on 1 April 1998	-	-
Total Statutory Funds	5 389 576	5 370 586

22. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	-	-
Capitalisation Reserve	-	-
Donations and Public Contributions Reserve	-	-
Government Grants Reserve	-	-
Accumulated Surplus / (Deficit) due to the results of Operations	1 377 724 229	1 399 972 198
Total Accumulated Surplus	1 377 724 229	1 399 972 198

2012
R

2011
R

23. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Residential	5 919 853	5 919 853	-	-
Commercial	2 075 044	2 075 044	-	-
Residential & Commercial	-	-	39 705 548	34 031 365
Industrial	1 524 167	1 524 167	-	-
State	965 717	965 717	-	-
Municipal	51 256	51 256	617 504	714 005
Educational	25 848	25 848	-	-
Institutional	178 328	178 328	-	-
-Less: Revenue Foregone			(2 189 724)	(2 407 449)
Total Property Rates	10 740 213	10 740 213	38 133 329	32 337 921

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
24. GOVERNMENT GRANTS AND SUBSIDIES		
Equatable Share and Other Operating	58 429 495	51 339 591
Operational Grants	58 429 495	51 339 591
Conditional Grants	48 965 780	41 717 755
CACADU District Municipality	2 094 159	-
National: MIG Funds	24 744 601	20 818 094
National: Housing	-	3 587 002
National: NEG	169 646	4 514 132
National: NDPG	17 321 745	11 342 759
National: Other	4 635 630	1 455 767
Other Government: National Lottery Fund	-	-
Total Government Grants and Subsidies	107 395 275	93 057 346
Conditional Grants:		
24.1. CACADU District Municipality		
Balance unspent at beginning of year	22 769 477	12 769 477
Current year receipts	-	10 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2 094 159)	-
Conditions still to be met - transferred to Liabilities	20 675 319	22 769 477
24.2. National: MIG Funds		
Balance unspent at beginning of year	9 176 727	14 781 821
Current year receipts	24 312 000	15 213 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(24 744 601)	(20 818 094)
Conditions still to be met - transferred to Liabilities	8 744 126	9 176 727

	2012 R	2011 R
24.3. National: Housing		
Balance unspent at beginning of year	44 494	3 631 496
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(3 587 002)
Conditions still to be met - transferred to Liabilities	<u>44 494</u>	<u>44 494</u>
24.4. National: NEG		
Balance unspent at beginning of year	169 646	(2 726 221)
Current year receipts	-	7 410 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(169 646)	(4 514 132)
Conditions still to be met - transferred to Liabilities	<u>0</u>	<u>169 646</u>
24.5. National: NDPG		
Balance unspent at beginning of year	14 345 424	5 688 182
Current year receipts	11 800 000	20 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(17 321 745)	(11 342 759)
Conditions still to be met - transferred to Liabilities	<u>8 823 679</u>	<u>14 345 424</u>
24.6. National: Other Grants		
Balance unspent at beginning of year	6 020 637	(98 371)
Current year receipts	3 475 420	7 574 775
Conditions met - transferred to Revenue: Operating Expenses	-	(665 225)
Conditions met - transferred to Revenue: Capital Expenses	(4 635 630)	(790 542)
Conditions still to be met - transferred to Liabilities	<u>4 860 427</u>	<u>6 020 637</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25. SERVICE CHARGES		
Sale of Electricity	98 799 108	91 203 955
Sale of Water	39 415 414	26 612 964
Refuse Removal	7 762 059	6 892 978
Sewerage and Sanitation Charges	17 306 150	14 947 571
Other Service Charges	84 157	170 514
Total Service Charges	163 366 888	139 827 982
<p>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.</p>		
26. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Amenities	34 300	27 741
Rental Revenue from Halls	97 696	159 605
Rental Revenue from Other Facilities	1 085 448	847 009
Total Rental of Facilities and Equipment	1 217 445	1 034 354
<p>Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.</p>		
27. INTEREST EARNED		
External Investments:		
Bank Account	-	-
Investments	3 939 181	4 767 261
	3 939 181	4 767 261
Outstanding Debtors:		
Long-term Debtors	-	-
Outstanding Billing Debtors	9 228 364	7 787 726
	9 228 364	7 787 726
Total Interest Earned	13 167 545	12 554 987

	2012 R	2011 R
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	3 939 181	4 767 261
Loans and Receivables	9 228 364	7 787 726
	<hr/>	<hr/>
	13 167 545	12 554 987

28. OTHER REVENUE

Administration / Sale Of Plots	408 764	256 840
Fees: Advertising	2 024	1 212
Fees: Building Plans	448 444	407 256
Fees: Car Pound	8 141	5 540
Fees: Grazing	20 640	18 266
Fees: Weighbridge	3 120	2 220
Licences: Dog	192	573
Prints	21 472	24 405
Royalties: General	35 246	-
Sale: Refuse Bins & Bags	21 193	32 707
Search Fees	1 225	1 686
Sundry Revenue	1 517 128	10 061 221
Tow-In Charges	3 891	3 382
	<hr/>	<hr/>
Total Other Revenue	2 491 480	10 815 309

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	74 207 238	65 833 738
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	17 344 556	18 356 827
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 144 371	2 861 688
Housing Benefits and Allowances	415 306	406 381
Overtime Payments	5 945 426	4 269 301
Performance Bonuses	-	-
Defined Benefit Plan Expense:	1 647 233	6 812 528
	102 704 129	98 540 463
Total Employee Related Costs		
Attributable to:		
Continuing Operations	102 704 129	98 540 463
Discontinued Operations	-	-
	102 704 129	98 540 463
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	892 855	878 617
Performance Bonus	148 981	
Car and Other Allowances	171 298	155 671
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	1 213 134	1 035 785
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	674 471	568 272
Performance Bonus	113 912	-
Car and Other Allowances	130 186	126 489
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	918 569	696 258
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	674 471	655 599
Performance Bonus	113 912	-
Car and Other Allowances	139 186	126 489
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	927 569	783 585

	2012 R	2011 R
Remuneration of the Manager: Corporate Services		
Annual Remuneration	674 471	547 407
Performance Bonus	113 912	-
Car and Other Allowances	139 186	115 460
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	927 569	664 364
Remuneration of the Manager: Local Economic Development		
Annual Remuneration	674 471	683 962
Performance Bonus	113 912	-
Car and Other Allowances	139 186	126 489
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	927 569	811 948
Remuneration of the Manager: Technical Services		
Annual Remuneration	674 471	655 306
Performance Bonus	113 912	-
Car and Other Allowances	139 186	126 489
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	927 569	783 292

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
30. REMUNERATION OF COUNCILLORS		
Mayor	472 033	437 068
Speaker	207 695	192 310
Executive Committee Members	1 770 120	1 639 000
Councillors	3 073 691	2 196 195
Company Contributions to UIF, Medical and Pension Funds	-	-
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 180 168	1 745 482
Total Councillors' Remuneration	7 703 708	6 210 055

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and five members of the Mayoral Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties, and some councillors are provided with office space only.

The Mayor has use of a Council owned vehicle for official duties.

	2012 R	2011 R
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	42 497 061	40 768 542
Amortisation: Intangible Assets	67 291	7 008
Depreciation: Investment Property	1 647 962	1 647 962
Total Depreciation and Amortisation	44 212 315	42 423 512
Attributable to:		
Continuing Operations	44 212 315	42 423 512
Discontinued Operations	-	-
	44 212 315	42 423 512
32. IMPAIRMENT LOSSES		
32.1. Impairment Losses on Financial Assets		
Impairment Losses Recognised:	30 056 769	31 869 398
Long-term Receivables	-	-
Receivables from Exchange Transactions	25 564 621	23 831 554
Receivables from Non-exchange Transactions	4 492 149	8 037 844
Impairment Losses Reversed:	(396 387)	-
Long-term Receivables	-	-
Receivables from Exchange Transactions	(396 387)	-
Receivables from Non-exchange Transactions	-	-
	29 660 382	31 869 398
Total Impairment Losses	29 660 382	31 869 398
33. FINANCE COSTS		
Bank Overdraft	4 900	-
Loans and Payables at amortised cost	213 477	280 683
Total Interest Paid on External Borrowings	218 377	280 683

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34. BULK PURCHASES		
Electricity	62 550 574	47 892 069
Water	2 028 314	1 999 897
Total Bulk Purchases	<u>64 578 888</u>	<u>49 891 965</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom, and Water is purchased from the Department of Water Affairs.

35. CONTRACTED SERVICES

Professional Fees	2 706 241	2 297 238
Other Contracted Services	-	-
Total Contracted Services	<u>2 706 241</u>	<u>2 297 238</u>

36. GRANTS AND SUBSIDIES PAID

Municipal Bursaries	70 000	30 000
Free Basic Services	18 336 141	21 984 130
Tourism	542 284	492 579
Internship	846 492	676 053
Other Grants and Subsidies Paid	258 486	209 259
Total Grants and Subsidies	<u>20 053 402</u>	<u>23 392 021</u>

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Tourism Grants are paid to Makana Tourism, in order to promote tourism in the Makana area of jurisdiction.

Internship Grants are in respect of the National Treasury Internship Program, and funded by the Finance Management Grant

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
37. GENERAL EXPENSES		
Included in General Expenses are the following:		
	4 143 712	2 883 935
External Audit Fees		
Administration Charges	2 991 535	2 863 124
Advertising	2 070 546	1 187 489
Bank Charges	812 233	554 890
Chemicals And Poison	2 449 108	2 080 107
Cleaning Material	150 705	106 441
Commissions Paid	1 189 096	928 732
Complaints	102 686	131 633
Conference Expenses	1 681 101	1 240 118
Connection Fees	444 441	423 701
Corporate Branding	129 638	234 687
Electricity & Water	9 797 612	8 419 281
Entertainment	382 272	30 250
Fuel And Oil	3 828 529	3 098 573
General Expenditure Incurred From Grants	335 723	724 006
Insurance And Security	3 097 276	2 487 212
Internal Audit Fees	541 042	545 742
Interview Expenses	59 821	56 204
Legal Costs	3 956 875	2 262 669
License Cards And Licences	419 281	296 259
Loss Control	616 233	683 254
Materials And Stocks	870 117	739 212
Newsletter	81 627	251 229
Other General Expenses	259 562	266 014
Postage, Printing and Other	815 821	750 893
Printing And Stationery	-	9 087
Project Expenses From Own Funds	3 527 557	2 859 583
Protective Clothing	241 108	278 687
Purchases	833 217	616 113
Relocation Expenses	77 991	172 166

	2012 R	2011 R
Rental Expenses	352 965	362 077
Skills Development Levy	859 987	732 449
Telephone Cost	2 309 681	2 210 184
Training Costs	635 015	423 967
Travelling And Subsistence	963 727	698 881
Uniforms	97 652	16 219
Valuation Expenses	175 778	1 042 022
Total General Expenses	51 301 273	42 667 088

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 nsupport services rendered.

No other extra-ordinary expenses were incurred.

38. DISCONTINUED OPERATIONS

38.1. Health Services discontinued

The operations of the Health Services, namely Clinics, Community Services and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 30 June 2011 as per agreement. All moveable assets related to the services have been transferred to the Provincial Health Administration at carrying value with the result that no impairment losses were recognised on the reclassification of these operations as held-for-sale. The discontinuation of Health Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority. The transfer of Health Services was completed on 30 June 2011 on which date control of the services passed to the Provincial Administration Eastern Cape.

38.2. Analysis of Surplus /(Deficit) for the year from Discontinued Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/ (Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

	Health Services R	Total R
30 June 2011		
REVENUE		
Government Subsidies	3 129 802	3 129 802
Total Income	3 129 802	3 129 802
LESS: EXPENDITURE		
	3 788 176	3 788 176
Employee Related Costs	3 243 037	3 243 037
Repairs and Maintenance	39 511	39 511
General Expenses	505 628	505 628
	(658 374)	(658 374)
Net Surplus/(Deficit) from Discontinued Operations	(658 374)	(658 374)
Cash Flows from Discontinued Operations		
Net Cash Flows from Operating Activities	(658 374)	(658 374)
	(658 374)	(658 374)

39. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

39.1. Correction of Unreconciled Bank Items

The Closing Balance of Bank Balances and Cash were corrected by writing off unreconciled items to Accumulated Surplus.

The effect of the Correction of Error is as follows:

	Bank	Acc. Surplus
Write-Off of Unreconciled Bank items.	-11 758 593	11 758 593

39.2. Write-Off of Non-Integrated Debtors Control Balances

The Closing Balances of the Debtors' Control account and the subsequent Contra Account were corrected by writing these balances off to Accumulated Surplus. This item was tabled and approved by Council.

The effect of the Correction of Error is as follows:

	Billing Deferred Control	Billing Deferred Contra	Acc. Surplus
Write-Off of Non-Integrated Debtor Control Balances	14 493 982	-9 649 350	-4 844 632

39.3. Correction of Water Inventory Opening Balance and Subsequent Revenue Adjustment

The Opening Balance of Water Inventory was adjusted to accurately and correctly disclose the value of Water Inventory at year end.

The effect of the Correction of Error is as follows:

	Water Inventory	Sundry Revenue
Balance previously published as at 30 June 2012	9 190	1 633
Adjustment to correctly calculated Water Inventory Value	9 483 930	9 483 930
Restated Balance for the period ending 30 June 2011	9 493 119	9 485 563

39.4. Correction of Property Plant and Equipment, Heritage Assets and Investment Property.

The Opening Balance of Property Plant and Equipment, Heritage Assets and Investment Property have been restated to correctly disclose their value at year end.

	2012 R	2011 R
The effect of the Correction of Error is as follows:		
	PPE	Investment Property
Balance as at 30 June 2010	1 417 676 711	
Cost of Investment Property Identified (Subnote 5 below)	-148 339 900	148 339 900
Increase in Other Assets (Subnote 2 & 3 below)	5 952 813	
Increase/(Decrease) due to AR Formulas corrected (Subnote 7 below)	6 303 649	
Restated Balance as at 30 June 2010	1 281 593 272	148 339 900
Balance as at 30 June 2011	1 441 733 274	
Effect of 2010 Corrections as disclosed above	-136 083 439	148 339 900
WIP Completed during the year (Subnote 6)	-29 672 765	
Change in Accumulated Depreciation due to accurate Asset Register	5 358 112	
Asset Register Formula Errors Corrected	258 090	
Restated Balance as at 30 June 2011	1 281 593 272	148 339 900

A revised Asset Register was compiled from various source documents and a new complete and accurate asset register was populated. This process involved the following:

1. The physical verification and valuation data for all Immovable Assets as compiled and audited during the 2011 financial year was used to obtain the opening balances of Immovable Assets.
2. All movable assets of Makana Municipality were physically verified and photographed with Asset Verification software.
3. All movable assets that was not included or could not be reconciled to the incomplete 2011 Asset Register was valued by a professional valuation company, as audited during the 2012 audit.
4. Steps "2" and "3" above provided the municipality with the accurate opening balances for Movable Assets.
5. Investment Property, to be excluded from PPE, was accurately identified as audited during 2012.
6. As the Work In Progress that was completed during 2011 was incorrectly included in additions in 2011, the Municipality accurately recalculated the additions of Immovable and Movable Assets by:
 - a. Reviewing all Purchase Invoices.
 - b. Reviewing Asset Addition Expenses capture in the Financial System.
 - c. Reviewing Projects that was completed during the 2011 and 2012 financial periods and transferring these projects from WIP to Completed instead of including this as additional additions.
7. The Municipality then made use of a complete Asset Register to include the above that accurately calculates Depreciation and Accumulated Depreciation. Various Asset Register formulas and inconsistencies were corrected in this process.

The following approach was used to journalise and correct the above asset amounts:

1. During the compilation of the 2011 AFS all opening balances of PPE were journalised to Accumulated Surplus as it was the first time that the municipality did not make use of Directive 4.
2. In correcting the prior year balances the accumulated surplus was adjusted accordingly and all Asset Suspense Accounts for the prior and the current period was cleared and capitalised as required.

39.5. Correction of Provision for Bad Debt, Vat Payable and Impairment Losses

The Opening Balances of the Provision for Bad Debt, Vat Payable and Impairment Losses have been restated to accurately disclose their balances at year end.

The effect of the Correction of Error is as follows:

	Provision for Bad Debt	Vat Payable	Impairment Losses
Balance previously published as at 30 June 2011	134 020 852	-2 939 386	41 001 768
Adjustment to correctly calculated amount	-20 425 722	16 459 928	-9 132 370
Restated Balance for the period ending 30 June 2011	113 595 130	13 520 542	31 869 398

39.6 . Reclassification of Receivables

The amount previously disclosed as "Current portion of Long Term Receivables" has been restated to correctly classify the nature of the receivable.

The effect of the Correction of Error is as follows:

	2010/11	2011/12 Comparitive	Restated Amount
Current Portion of Long Term Receivables	5 752		5 752
Receivables from Exchange Transactions	174 306 656	174 312 408	-5 752
	174 312 408	174 312 408	

39.7. Reclassification of Non-Current Provisions

The Opening Balance of the Provision for Long Term Service Awards have been restated to correctly classify the nature of the provision.

The effect of the Correction of Error is as follows:	2010/11	2011/12 Comparative	Restated Amount
Retirement Benefit Liabilities	46 111 598	43 102 639	3 008 959
Non-current Provisions	1 183 635	4 192 594	-3 008 959
	47 295 233	47 295 233	

39.8. Reclassification of Property Rates, Service Charges and Grants and Subsidies Paid

The prior year figures of Property Rates, Service Charges and Grants and Subsidies Paid have been restated to correctly record Revenue Foregone incurred during the previous financial year in terms of MFMA Budget Formats Guide for Municipalities.

The effect of the Correction of Error is as follows:

	Property Rates	Service Charges	Grants and Subsidies Paid
Amount per AFS previously published for 2010/11	31 208 875	118 972 898	1 407 891
Reclassification of Free Property Rates to Households	1 129 046	-	1 129 046
Reclassification of Free Service Charges to Households	-	20 855 084	20 855 084
Restated Amount currently disclosed for 2010/11	32 337 921	139 827 982	23 392 021

39.9. Reclassification of Expenditure

The prior year figures of Grants and Subsidies Paid have been restated to correctly classify the nature of Indigent Subsidies, previously deducted from Revenue of the municipality, in terms of IGRAP 1.09 and MFMA Circular No 51. Also see Note 39.8 above.

Furthermore, the prior year figures of Expenditure Classes have been restated to correctly classify the Expenditure of the municipality based on the materiality of the Expenditure.

The effect of the Correction of Error is as follows:

	2010/11 Expenditure	2011/12 Expenditure	Restated Amount
Stock Adjustment	664 147	-	664 147
General Expenses	42 000 326	42 667 088	(666 762)
	42 664 473	42 667 088	(2 615)

	2012 R	2011 R
40. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(4 418 263)	(25 489 988)
Adjustment for:		
Depreciation and Amortisation	44 212 315	47 783 870
Impairment Losses on Property, Plant and Equipment	-	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	158 650
Profit on Sale of Land	-	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	98 000	-
Other Movement on Property, Plant and Equipment	(0)	-
Contribution to Retirement Benefit Liabilities	5 905 748	4 129 484
Expenditure incurred from Retirement Benefit Liabilities	-	-
Contribution to Provisions - Current	-	-
Contribution to Provisions - Non-current	1 122 424	599 940
Expenditure incurred from Provisions - Current	-	-
Contribution to Impairment Provision	29 660 382	31 869 398
Bad Debts Written-off	(12 431 292)	(11 034 012)
Operating surplus before working capital changes	63 392 643	47 642 377
Decrease/(Increase) in Inventories	(2 014 904)	(10 558 284)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(98 000)	-
Decrease/(Increase) in Receivables from Exchange Transactions	(7 247 058)	(54 861 249)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(1 928 003)	1 122 809
Decrease/(Increase) in VAT Receivable	-	-
Decrease/(Increase) in Operating Lease Assets	-	14 702
Decrease/(Increase) in Current Portion of Long-term Receivables	0	182
Increase/(Decrease) in Consumer Deposits	111 532	71 333
Increase/(Decrease) in Payables	11 230 418	35 838 850
Increase/(Decrease) in Conditional Grants and Receipts	(6 097 257)	19 974 144
Increase/(Decrease) in Operating Lease Liabilities	-	-
Cash generated by / (utilised in) Operations	49 175 717	52 765 407

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

41. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.

42. FINANCING FACILITIES

Secured Bank Overdraft Facility:

- Amount used	1 000 000	1 000 000
- Amount unused	1 000 000	1 000 000
	1 000 000	1 000 000

43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

43..1. Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	78 976 534	-
Unauthorised Expenditure current year	48 275 228	78 976 534
Approved by Council or condoned	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Unauthorised Expenditure awaiting authorisation	127 251 761	78 976 534

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	<i>To be condoned by Council</i>
- Executive and Council - R829 197 (2011: R0)	
- Finance and Administration - R39 948 030 (2011: R60 173 067)	
- Community and Social Services - R0 (2011: R1 177 434)	
- Sport and Recreation - R0 (2011: R153 930)	
- Waste Management - R0 (2011: R3 038 160)	
- Water - R6 667 878 (2011: R7 500 756)	
- Electricity - R784 564 (2011: R6 919 679)	
- Other - R45 559 (2011: R13 507)	

	2012 R	2011 R
43.2. Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	-	-
Irregular Expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings

44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1. Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	-	441 624
Amount Paid - current year	-	(441 624)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

44.2. Audit Fees

Opening Balance	-	-
Current year Audit Fee	4 143 712	2 883 935
Amount Paid - current year	(4 143 712)	(2 883 935)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

44.3. Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

2012
R

2011
R

45. COMMITMENTS FOR EXPENDITURE

45.1. Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

79 050 656

79 050 656

65 695 925

65 695 925

12 189 942

12 189 942

1 164 789

1 164 789

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other

-

-

-

-

-

-

-

-

Total Capital Commitments

79 050 656

79 050 656

This expenditure will be financed from:

Capital Replacement Reserve
Government Grants

57 599

57 599

78 993 057

78 993 057

79 050 656

79 050 656

46. FINANCIAL INSTRUMENTS

46.1. Classification

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Non-current Investments	Fixed Deposits	12 587 802	11 777 283
Long-term Receivables	Debtors Capitalised Loans	-	-
Long-term Receivables	Removal Cost Loans	-	-
Receivables from Exchange Transactions	Electricity	23 931 193	17 218 927
Receivables from Exchange Transactions	Refuse	(1 089 488)	(2 727 020)
Receivables from Exchange Transactions	Sewerage	7 261 858	7 568 118
Receivables from Exchange Transactions	Water	10 818 322	9 945 200
Receivables from Exchange Transactions	Other Debtors	2 648 507	11 206 542
Receivables from Non-exchange Transactions	Assessment Rates Debtors	6 390 478	5 086 236
Receivables from Non-exchange Transactions	Payments made in Advance	234 612	282 850
Receivables from Non-exchange Transactions	Sundry Debtors	772 958	826 358
Receivables from Non-exchange Transactions	Insurance Claims	1 470 036	2 027 194
Receivables from Non-exchange Transactions	Unauthorised Expenditure	127 251 761	78 976 534
Cash and Cash Equivalents	Notice Deposits	2 967 440	2 869 227
		195 245 480	145 057 448

		2012	2011
		R	R
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	35 045 150	71 796 110
Cash and Cash Equivalents	Bank Balances	6 381 354	-
Cash and Cash Equivalents	Cash Floats and Advances	3 950	7 293
		<u>41 430 453</u>	<u>71 803 402</u>
Total Financial Assets		<u>236 675 933</u>	<u>216 860 850</u>
FINANCIAL LIABILITIES:			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	-	463 213
Long-term Liabilities	Finance Lease Liabilities	138 237	138 237
Payables	Trade Creditors	13 629 080	973 314
Payables	Retentions	1 422 742	635 730
Payables	Staff Leave Accrued	6 873 374	5 104 038
Payables	Sundry Deposits	1 572 177	1 274 361
Payables	Other Creditors	43 130 675	38 397 353
Current Portion of Long-term Liabilities	Annuity Loans	463 213	621 360
Current Portion of Long-term Liabilities	Finance Lease Liabilities	356 378	356 378
		<u>67 585 875</u>	<u>47 963 983</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	45 268	-
		<u>45 268</u>	<u>3 522 875</u>
Total Financial Liabilities		<u>67 631 142</u>	<u>51 486 858</u>

46.2. Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	195 245 480	195 245 480	145 057 448	145 057 448
Municipal Stock	-	-	-	-
Fixed Deposits	12 587 802	12 587 802	11 777 283	11 777 283
Notice Deposits	2 967 440	2 967 440	2 869 227	2 869 227
Trade Receivables from Exchange Transactions	43 570 392	43 570 392	43 211 767	43 211 767
Trade Receivables from Non-exchange Transactions	136 119 846	136 119 846	87 199 171	87 199 171
Current Portion of Long-term Receivables	-	-	-	-
Measured at Fair Value	41 430 453	41 430 453	71 803 402	71 803 402
Listed Investments	-	-	-	-
Call Deposits	35 045 150	35 045 150	71 796 110	71 796 110
Bank Balances and Cash	6 385 303	6 385 303	7 293	7 293
Total Financial Assets	236 675 933	236 675 933	216 860 850	216 860 850
Measured at Amortised Cost:	67 585 875	67 585 875	47 963 983	47 963 983
Local Registered Stock Loans	-	-	-	-
Annuity Loans	-	-	463 213	463 213
Finance Lease Liabilities	138 237	138 237	138 237	138 237
Trade and Other Payables:				
- Creditors	66 628 048	66 628 048	46 384 796	46 384 796
- Short-term Loans	-	-	-	-
- Current Portion of Long-term Liabilities	819 590	819 590	977 738	977 738
Measured at Fair Value	45 268	45 268	3 522 875	3 522 875
Payments Received in Advance	45 268	45 268	-	-
Bank Overdraft	-	-	3 522 875	3 522 875
Total Financial Liabilities	67 631 142	67 631 142	51 486 858	51 486 858
Total Financial Instruments	169 044 790	169 044 790	165 373 992	165 373 992
Unrecognised Gain / (Loss)		-		-

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 observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012			2011
	R			R
30 June 2012				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	35 045 150	-	35 045 150
Bank Balances and Cash	-	6 385 303	-	6 385 303
Total Financial Assets	-	41 430 453	-	41 430 453
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	45 268	-	45 268
Total Financial Instruments	-	41 385 186	-	41 385 186
30 June 2011				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	71 796 110	-	71 796 110
Bank Balances and Cash	-	7 293	-	7 293
Total Financial Assets	-	71 803 402	-	71 803 402
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	-	-	-
Bank Overdraft	-	3 522 875	-	3 522 875
Total Financial Liabilities	-	3 522 875	-	3 522 875
Total Financial Instruments	-	68 280 527	-	68 280 527

46.3. Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes 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

	2012	2011
	R	R
The gearing ratio at the year-end was as follows:		
Debt	957 827	5 102 062
Cash and Cash Equivalents	(6 385 303)	(7 293)
Net Debt	<u>(5 427 476)</u>	<u>5 094 769</u>
Equity	<u>1 383 113 805</u>	<u>1 405 342 784</u>
Net debt to equity ratio	-0.39%	0.36%

Debt is defined as Long- and Short-term Liabilities.

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.

46.4. 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.

46.5. Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 47.8 and 47.9 to the Annual Financial Statements.

46.6. Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

46.6.1. 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.

46.6.2. 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 primarily dealing with First National Bank and Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

46.7. Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by primarily dealing with First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner,

if the previous owner does not settle the outstanding amount;

- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
	2012	2011
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	12 587 802	11 777 283
Consumer Debtors	181 559 466	174 312 408
Other Debtors	34 906 725	32 978 721
Bank, Cash and Cash Equivalents	44 397 893	71 149 754
Maximum Credit and Interest Risk Exposure	273 451 885	290 218 166

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	11 981 610	11 471 954
Group 2	1 730 464	2 240 119
	<u>13 712 074</u>	<u>13 712 074</u>
Total Receivables from Exchange Transactions	<u>13 712 074</u>	<u>13 712 074</u>
Receivables from Non-exchange Transactions		
Group 1	16 594 379	16 594 379
Total Receivables from Non-exchange Transactions	<u>16 594 379</u>	<u>16 594 379</u>

Credit quality Groupings:

- Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.
- Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.
- Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

46.8. 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 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing		0.00%	75 120 726	75 120 726	-	-	-	-
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	-	-	-	-	-	-
			75 120 726	75 120 726	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	63 890 307	63 890 307	-	-	-	-
Variable Interest Rate Instruments		8.08%	(3 522 875)	(3 522 875)	-	-	-	-
Fixed Interest Rate Instruments		5.00%	-	-	-	-	-	-
			60 367 432	60 367 432	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing		0.00%	60 889 837	60 889 837	-	-	-	-
Variable Interest Rate Instruments		0.00%	41 426 504	41 426 504	-	-	-	-
Fixed Interest Rate Instruments		134.98%	15 555 242	15 555 242	-	-	-	-
			117 871 582	117 871 582	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	68 947 209	68 947 209	-	-	-	-
Variable Interest Rate Instruments		0.00%	71 796 110	71 796 110	-	-	-	-
Fixed Interest Rate Instruments		169.28%	14 646 510	14 646 510	-	-	-	-
			155 389 828	155 389 828	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R575 550 (2011: R676 673), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

46.9. Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

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
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	7		11 777 283	-	-	-	-	-
Secured Bank Facilities	18		-	-	-	-	-	-
Unsecured Bank Facilities	18		-	-	-	-	-	-
Total Fixed Rate Instruments			11 777 283	-	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		38 012 590	494 841 970	-	-	-	-
Bank Balances and Cash	7		6 385 303	47 127 950	-	-	-	-
Total Fixed Rate Instruments			44 397 893	541 969 920	-	-	-	-

30 June 2011

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
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	7		11 777 283	-	-	-	-	-
Secured Bank Facilities	18		-	-	-	-	-	-
Unsecured Bank Facilities	17		-	-	-	-	-	-
Total Fixed Rate Instruments			11 777 283	-	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		74 665 337	262 788 944	-	-	-	-
Bank Balances and Cash	7		(3 515 583)	31 245 683	-	-	-	-
Total Fixed Rate Instruments			71 149 754	294 034 627	-	-	-	-

46.10. Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

47. 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:-

The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The scheme both operates a Defined benefit and Defined contribution scheme

Defined Benefit Scheme

The contribution rate payable is under the defined benefit

section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2011 disclosed an actuarial valuation amounting to R2 971 150 million, with a net accumulated deficit of R58 935 million, with a funding level of 98.1%.

Defined Contribution Scheme

The actuarial valuation report at 30 June 2011 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 386 570 million, net investment reserve of R15 285 million and a funding level of 104.1%.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 930,837 (30 June 2010: R7 740,205) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2009. The latest interim valuation was performed as at 30 June 2010.

The interim valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 123. 672 020) 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.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R8 015 (30 June 2010 R7 110,3) million, with funding levels of 98,1% (30 June 2010: 95,9%) and a nett surplus of . The contribution rate paid by Council (19,18%) is sufficient to fund the benefits accruing from the fund in the future.

Surplus/Deficit - previously R307,6 million deficit.

SAMWU Pension Fund:

The SAMWU National Provident Fund is a defined contribution scheme. The contribution rate paid by the members (5%) and council (12%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was performed at 30 June 2005 and the fund was certified

as being in a financially sound position. The next statutory valuation is due not later than 30 June 2008. Valuation not yet received.

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.

No further details could be obtained for the fund and of any subsequent valuations performed.

Government Employees Pension fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 31 March 2010.

The statutory valuation performed as at 31 March 2010 revealed that the assets of the fund amounted to R801 004 million (31 March 2008: R707 042 million) million, being fully funded (31 March 2008: 100%). The contribution rate paid by the members (7,50%) and the employers (13 %) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774,1 (30 June 2009: R8 248,8) billion. The contribution rate payable is 7,50% by the member and 22,00% by the employer. The fund was certified to be in sound financial condition as at 30 June 2007.

National Fund for Municipal Workers:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2008.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of R6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,8% (1 July 2007: 100,3%). The contribution rate paid by the members (2,00% to 7,00%)

and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future, and the actuary was satisfied that the fund will continue to be able to meet its liabilities.

Liberty Life Pension Fund:

No details could be provided for the fund and of any valuation performed.

SANLAM Annuity Fund:

No details could be provided for the fund and of any valuation performed.

SANLAM Retirement Fund:

No details could be provided for the fund and of any valuation performed.

None of the above mentioned plans are State Plans.

48. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

48.1. Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

48.2. 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.

48.3. Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

48.4. Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
MUMAS Trading CC	Luthando Mashiya	Director (Spouse)	Manager: Water and	280 645	-
Total Purchases				280 645	-

The transactions were concluded in full compliance with the municipality’s Supply Chain Management Policy and the transactions are considered to be at arm’s length.

	2012 R	2011 R
49. CONTINGENT LIABILITIES		
49.1. Court Proceedings:	6 156 599	49 953 311
Breach of contract claim by a contractor - the municipality disputes this claim		0
Liability for damages allegedly resulting from overflowing conservancy tank in Alicedale		0
Liability for damages allegedly caused by powerlines collapsing onto telephone lines		56 000
Liability for damages allegedly caused by faulty electrical apparatus		24 000
Liability for damages allegedly caused by accident CM Martin and Municipal employee.		81 252
SALA Pension fund - Increases in contributions without consultation with municipality.		300 000
SALA Pension fund - Claim of non-payment of increased fund premiums (File 1)	500 000	500 000
SALA Pension fund - Claim arose from death of member of pension fund.		200 000
Cape Joint Pension Fund - Potential liability due to shortfall on fund.		0
Prudence Jane Ruck (Erf 2190) (Prudence Jane Ruck / SW Fitzhenry, HR Fitzhenry)	150 000	350 000
SW Fitzhenry		600 000
John B Scott Attorney’s - Accident through Grahamstown towards N2		203 400
Divan Bellingham Anglo Africa Street Clinic (Eric & Karina o.b.o. Divan Bellingham Anglo Africa Street Clinic)	150 000	70 000
P. Naidoo		0
Zingiswa Vivian - Accident due to pot holes on the road (Zingiswa Vivian Nontshinga, Mkhululi)	450 000	500 000
VDZ Construction - Tender awarded to Master Pave CC t/a MG Construction		27 523 675
VDZ Construction	250 000	
Give Ziyawa Construction CC - Contract cancellation		18 697 923
Give Ziyawa Construction CC - Breach of contract. Summons received 19/08/2010.	279 076	

Accused Traffic Officer was charged with wilful and negligent issue of a learner's licenses		150 000
NY Duda - Claim arose when vehicle driven by Ndolo crashed into Plaintiff's house		100 000
Makana Municipality vs Preston		485 572
Preston	450 000	
Bell Oak Investments	180 000	111 490
Pumza Nano	100 000	
The Albany and Bathurst Farmer's League	100 000	
Makana Municipality vs Councillors - Garnishee Orders	150 000	
Ms Nduda	150 000	
Mrs Martin	150 000	
Prudence Jane Ruck	100 000	
Mthombo Resorts	250 000	
Phumi Trading CC	200 000	
Beer Properties	200 000	
Tekom SA - Liability for damages caused to Telkom power line by faulty electrical apparatus		199 445
Erasmus, Leon - Overflow of Sewer Tank on Claimant's Property		114 008
Bowles, Adrian - Plaintiff sued Municipality for malicious prosecution (Traffic Officer Terence Bafo arrested plain		93 556
Eviction - Illegal occupiers invaded land earmarked by Municipality for it's own purposes		116 066
Bateson and Konstant - Liability for damages for alleged failure/refusal to empty conservancy tank.		504 818
Mubesko Africa CC - Unlawful Procurement. Opinion required on whether Supply Chain Management Policy wa		390 000
Uhambano Sports Academy - Unlawful Procurement. Opinion required on whether Supply Chain Management P		390 000
Montla Labour Court Review - Liability for damages allegedly caused by a post level dispute with the employee.		249 760
Xamleko, Kaiser - Salary scale disagreement		289 870

50. CONTINGENT ASSETS

50.1. Insurance Claims:

311 188

-

(i) Lost / Damaged Assets:

-

-

The municipality has a claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R311 188 will be recovered.

50.2. Claim on guarantee:

-

461 700

51. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

52. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

53. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note N/A) and Prior Period Errors (Note 39).

APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation			Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions			Transfers	Disposals
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
<i>Land:</i>												
Developed	95 782 950	-	-	-	-	95 782 950	-	-	-	-	-	95 782 950
Undeveloped	346 294 013	-	-	-	-	346 294 013	-	-	-	-	-	346 294 013
<i>Buildings:</i>												
Total Buildings	309 795 506	285 343	288 138	-	-	310 368 987	18 517 528	8 973 179	-	-	27 490 707	282 878 280
	751 872 469	285 343	288 138	-	-	752 445 950	18 517 528	8 973 179	-	-	27 490 707	724 955 243
Infrastructure												
<i>Airports:</i>												
Airports and Airfields	3 954 500	-	-	-	-	3 954 500	429 885	206 418	-	-	636 303	3 318 197
<i>Electricity:</i>												
Total Electricity	125 411 536	1 261 912	21 328 682	3 735 779	-	151 737 909	11 895 477	5 759 456	-	-	17 654 932	134 082 977
<i>Roads and Transport:</i>												
Total Roads and Transport	208 808 055	5 444 833	12 793 341	664 102	-	227 710 331	24 834 388	12 561 962	-	-	37 396 350	190 313 982
<i>Sanitation:</i>												
Sanitation and Solid Waste	691 853	-	-	-	-	691 853	48 275	28 030	-	-	76 305	615 548
<i>Sewerage:</i>												
Total Sewerage	81 391 241	1 526 074	23 305 728	681 639	-	106 904 681	7 656 970	3 748 978	-	-	11 405 949	95 498 733

APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2012		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Transfers	Disposals			Closing Balance	
	R	R	R	R	R	R	R	R			R	
<i>Water:</i>												
Total Water	70 841 521	78 306	11 560 790	-	-	82 480 616	10 878 517	5 044 396	-	15 922 913	66 557 703	-
	491 098 706	8 311 125	68 988 540	5 081 520	-	573 479 891	55 743 512	27 349 240	-	83 092 752	490 387 139	-
Community Assets												
Cemeteries	13 315 477	-	-	-	-	13 315 477	989 938	503 202	-	1 493 141	11 822 336	-
All Other Community Assets	39 697 699	2 940 276	11 764 485	-	-	54 402 460	3 384 354	1 679 392	-	5 063 746	49 338 713	-
	53 013 176	2 940 276	11 764 485	-	-	67 717 936	4 374 293	2 182 595	-	6 556 887	61 161 049	-
Leased Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Total Other Assets	25 784 020	8 935 665	-	-	-	34 719 685	5 892 712	3 992 048	-	9 884 760	24 834 926	-
	25 784 020	8 935 665	-	-	-	34 719 685	5 892 712	3 992 048	-	9 884 760	24 834 926	-
Total	1 321 768 372	20 472 408	81 041 163	5 081 520	-	1 428 363 463	84 528 045	42 497 061	-	127 025 106	1 301 338 357	-

APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation			Accumulated Depreciation / Impairment			Closing Balance	Carrying Value					
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance			Opening Balance	Additions	Transfers	Disposals	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Total Investment Properties	148 339 900	-	-	-	-	148 339 900	148 339 900	3 432 032	1 647 962	-	-	5 079 994	143 259 906
	148 339 900	-	-	-	-	148 339 900	148 339 900	3 432 032	1 647 962	-	-	5 079 994	143 259 906

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation			Accumulated Depreciation / Impairment			Closing Balance	Carrying Value					
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance			Opening Balance	Additions	Transfers	Disposals	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	63 137	321 327	-	-	-	384 464	384 464	7 008	67 291	-	-	74 300	310 165
	63 137	321 327	-	-	-	384 464	384 464	7 008	67 291	-	-	74 300	310 165

APPENDIX B
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation			Accumulated Depreciation / Impairment				Closing Balance	Carrying Value		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance			Additions	Transfers
Heritage Assets Total Heritage Assets	R	R	R	R	R	R	R	R	R	R	R
	-	-	1 847 932	-	-	1 847 932	-	-	-	-	-
	-	-	1 847 932	-	-	1 847 932	-	-	-	-	-
						0,00					-0,00
Total Asset Register	1 470 171	20 793 735	82 889 094	5 081 520	-	1 578 935	87 967 085	44 212 315	-	-	132 179 400
	409					758					1 446 756
											359

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure		2011 Surplus/ (Deficit)	Description	2012 Actual Income		2012 Actual Expenditure		2012 Surplus/ (Deficit)
	R	R			R	R	R	R	
3 441 302	16 137 962	(12 696 660)	Executive and Council	3 049 727	18 920 897	(15 871 170)			
53 015 897	95 062 947	(42 047 050)	Finance and Administration	57 805 405	83 036 330	(25 230 925)			
5 791 141	8 445 953	(2 654 812)	Planning and Development	2 796 521	8 993 275	(6 196 754)			
4 392 460	8 286 399	(3 893 939)	Health	2 040 527	5 219 130	(3 178 604)			
760 186	4 980 064	(4 219 878)	Community and Social Services	503 878	4 403 793	(3 899 915)			
(2 324)	41 386	(43 710)	Housing	-	33 790	(33 790)			
1 238 996	11 224 585	(9 985 589)	Public Safety	622 223	12 769 581	(12 147 358)			
5 716 897	2 658 770	3 058 127	Sport and Recreation	15 012 642	3 006 921	12 005 720			
18 266	3 121 314	(3 103 048)	Environmental Protection	63 689	3 495 914	(3 432 225)			
51 781 658	35 572 540	16 209 118	Waste Management	53 225 213	38 113 735	15 111 478			
11 937 339	12 529 386	(592 047)	Roads and Transport	10 843 126	14 328 156	(3 485 030)			
60 151 108	43 517 026	16 634 082	Water	80 211 772	53 718 428	26 493 345			
99 016 056	80 971 519	18 044 537	Electricity	103 394 667	87 608 484	15 786 183			
10 736	202 847	(192 111)	Other	7 332	279 259	(271 927)			
297 269 718	322 752 698	(25 482 980)	Sub-Total	329 576 721	333 927 692	(4 350 972)			
			Revenue Foregone						
297 269 718	322 752 698	(25 482 980)	Total	329 576 721	333 927 692	(4 350 972)			

AUDITOR-GENERAL AUDIT FINDINGS

AUDITOR-GENERALS OPINION OF FINANCIAL STATEMENTS

Attached hereto as APPENDIX J is a copy of Auditor-General's Audit Report for the year ended 30 June 2012. The opinion issued by the AG in terms of the 2010/12 financial year's audit is a "disclaimer opinion". This means that the AG could not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. According to the AG, this adequate information was not detected by the Municipality's system of internal control and constituted non-compliance with the Municipal Finance Management Act.



AUDITOR - GENERAL
SOUTH AFRICA

Mr S Ngqwala
Auditor General of South Africa
East London

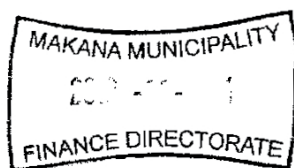
31 August 2011

Reference: 21296REG11/12

Dear Mr S Ngqwala

Submission of Annual Financial Statements for the year ended 30 June 2012

This serves to confirm that Makana Municipality submitted annual financial statements on 31 August 2012.



Date Stamp (Municipality official stamp)



Signature (municipal official)

Yours sincerely

Kurt Heideman
Manager: PEL1

Enquiries: Kurt Heideman
Telephone: (041) 367 2823
Cell: (084) 207 3392
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REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE MAKANA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Makana Local Municipality, which comprise the statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to

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 (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, 2011 (Act No. 6 of 2011) (DoRA), as well as for such internal control as management determines 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 the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Cash and Cash Equivalents

4. The municipality processed unsupported journals to balance the bank account in respect of the opening and closing balances. To correct the opening balance, bank was credited and the accumulated surplus debited with R28 million. This was a net amount made up of unknown debits and credits. Similarly, to correct the closing balance, bank was debited and the accumulated surplus credited with R16,6 million. Consequently, unknown income and expenditure or loss items are understated by this amount (2011: R28 million). I was unable to confirm by alternative means which items were understated, and could not determine whether further adjustments were required to the cash and cash equivalents balance per the statement of financial position.

Property, Plant and Equipment

5. The municipality did not adequately apply the recognition and measurement criteria as per GRAP 17, Property, Plant and Equipment, as certain properties in the immovable asset register were not registered in the name of the municipality, and a number of properties were included in the register at incorrect values. Consequently, property, plant and equipment, as recorded in the statement of financial position, is potentially overstated by R225,4 million and the accumulated surplus is overstated by the same amount.

Service Charges as well as Receivables from Exchange Transactions

6. Adjustments required to service charges for water and electricity, as recorded in the statement of financial performance, and the corresponding receivables from exchange transactions, per the statement of financial position, could not be adequately determined due to inadequacies in the system used to bill consumers. Consumers are currently billed using incorrect rates, as meter readings are not performed or performed too infrequently to determine an appropriate average rate. The resulting potential misstatement amounts to R51,8 million.
7. Further to the above, service charges as well as corresponding receivables from exchange transactions are potentially overstated by R7,2 million due to incorrect billings recorded on the system.
8. Service charges for the period 15 to 30 June 2012 were not recognised in the financial statements, due to the municipality not implementing adequate cut-off measures. Consequently, service charges, receivables from exchange transactions and service debtors, as disclosed in note 4 to the financial statements, are understated by R6,1 million.

Government Grants and Subsidies Received as well as Unspent Conditional Grants and Receipts

9. As per the DoRA allocations, government grants and subsidies received, as recorded in the statement of financial performance, are understated by R5,3 million. Additionally, government grants and subsidies (note 24), sundry debtors (note 5) and receivables from non-exchange transactions are understated by the same amount.
10. I was unable to obtain sufficient appropriate audit evidence to support amounts of expenditure transferred to revenue from unspent conditional grants and receipts in the amount of R11,3 million. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any further adjustments relating to government grants and subsidies received or, correspondingly, unspent conditional grants and receipts were necessary.
11. Further to the above, sufficient appropriate audit evidence was not available for an adjustment to government grants and subsidies received totalling R6,6 million. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the validity of the adjustment by alternative means, and was unable to determine whether any further adjustments to government grants and subsidies received were necessary.

General Expenditure

12. The municipality did not provide adequate supporting documentation for payments made during the year, and sufficient appropriate audit evidence was not available for general expenditure recorded in the statement of financial performance and disclosed in note 37 to the financial statements of R27,6 million. I was unable to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments relating to general expenditure were necessary.
13. The municipality made duplicate payments to suppliers to the value of R4 million. Consequently, expenditure is potentially overstated and corresponding receivables are understated by R4 million.

Grants and Subsidies Paid

14. Grants and subsidies paid, recorded in the statement of financial performance and as disclosed in note 36 to the financial statements, constitute subsidies to indigent debtors. Due to the incorrect calculation of these subsidies, grants and subsidies paid are overstated, and receivables from exchange transactions and the related disclosure of service debtors in note 4 to the financial statements are understated by R11,3 million.

Employee Related Costs

15. Employee related costs are recorded in the statement of financial performance and note 29 to the financial statements at R102,7 million (2011: R98,5 million). Documentation in support of employee contracts, allowances, wages and overtime either was not submitted for audit purposes or was incomplete. Furthermore, not all salaried employees and wage earners selected for testing could be physically verified. Consequently, I was unable to confirm the expenditure of R13,6 million by alternative means and to determine whether any further adjustments to employee related costs were necessary.

Inventory

16. Sufficient appropriate audit evidence was not available to support inventory recorded in the statement of financial position and note 2 to the financial statements at R17,5 million (2011: R9,5 million). The basis for determining the volume and cost of water inventory could not be confirmed. Additionally, consumable stores did not agree to either the general ledger or the values per the inventory system. I was unable to confirm or verify by alternative means the valuation and existence of inventory, due to inadequate record keeping by the municipality. Consequently, I was unable to determine whether any further adjustments to inventory were necessary.

Other Receivables and Sundry Debtors

17. Sufficient appropriate audit evidence was not available to support other receivables, as disclosed in note 4 to the financial statements at R2,6 million (2011: R9,6 million), and sundry debtors, as disclosed in note 5 to the financial statements at R1,5 million. I was unable to confirm the existence of other receivables or sundry debtors by alternative means, due to ineffective record keeping by the municipality. Consequently, I was unable to determine whether any further adjustments to other receivables and sundry debtors were necessary.
18. The municipality posted an additional adjustment to receivables from exchange transactions and the corresponding note 4 (other receivables) to the financial statements totalling R3,7 million, without sufficient appropriate audit evidence as support. I was unable to confirm the validity of the adjustment by alternative means. Consequently, I was unable to determine whether any further adjustments to other receivables were necessary.

Value-Added Tax (VAT) Payable

19. The municipality had inadequate procedures to reconcile the VAT liability of R6,5 million disclosed in the statement of financial position to the VAT returns submitted to the South African Revenue Service, resulting in an unexplained difference of R4,5 million. The records of the municipality did not permit the application of alternative procedures. Consequently, I was unable to confirm the valuation, existence and obligation of the VAT payable as disclosed.

Payables

20. Unallocated receipts located in creditors' suspense accounts were incorrectly written off to the accumulated surplus. Consequently, payables recorded in the statement of financial position are understated by R14,5 million, impairment losses per note 32 are understated by R9,7 million, and the accumulated surplus is overstated by R4,8 million.
21. Sufficient appropriate audit evidence was not available to support certain invoices, consumer deposits, journals and suspense account transactions affecting creditors. In addition, the payables amount disclosed in the statement of financial position did not agree to the general ledger. I was unable to confirm the existence and valuation of creditors to the value of R3,8 million (2011: R37 million) as disclosed in note 15 to the financial statements. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to payables were necessary.
22. Sufficient appropriate audit evidence was not available for an adjustment made by the municipality to payables totalling R8,6 million. I was unable to confirm the validity of the adjustment by alternative means. Consequently, I was unable to determine whether any further adjustments to payables were necessary.
23. Trade payables raised at year-end were not complete, and as a result expenditure is understated by R6,1 million, VAT is understated by R857 604, and payables are understated by R7 million.

Accumulated Surplus

24. Adequate supporting documents could not be provided for journals to the value of R8,6 million (2011: R23,7 million). Consequently, I was unable to determine whether any further adjustments to equity were necessary.

Irregular Expenditure

25. The municipality made payments in contravention of the supply chain management (SCM) requirements that were not included in irregular expenditure, resulting in irregular expenditure being understated by R19,4 million.
26. Disclosed in note 43.3 is irregular expenditure of R5,8 million. Neither a schedule of the items making up this amount nor sufficient and appropriate audit evidence was available in support of this irregular expenditure. I was unable to confirm the accuracy or completeness of the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments to irregular expenditure were necessary.
27. Supporting documentation was not submitted for expenditure of R16,3 million. I could not determine whether the correct procurement processes had been followed regarding these transactions and, consequently, irregular expenditure is potentially understated by this amount.
28. A number of employees were paid amounts exceeding the uppermost limits of their approved salary scales. As a result, the irregular expenditure amount as disclosed in note 43.3 could be potentially understated by R3,8 million.
29. The municipality did not have an adequate process for identifying and preventing irregular, unauthorised as well as fruitless and wasteful expenditure. The completeness of irregular expenditure could not be confirmed and the disclosure note is understated by an unknown amount.

Unauthorised Expenditure

30. Disclosed in note 43.1 (unauthorised expenditure) are amounts totalling R333,9 million. The municipality incorrectly disclosed all expenditure for the year as unauthorised. The disclosed unauthorised expenditure is therefore overstated by R285,7 million (2011: R275 million).

Distribution Losses

31. Section 125(2)(d)(i) of the MFMA requires the disclosure of any material losses in the annual financial statements. The municipality did not have an adequate system for identifying and recognising material losses of water and electricity. Due to this lack of systems, it was impracticable to determine the full extent of the misstatement of losses as disclosed in note 44.9 to the financial statements. The distribution losses of R9,7 million (2011: R9,7 million) disclosed in the current and corresponding figures are identical, yet the corresponding figures as disclosed do not agree to those disclosed in the prior year financial statements.

Commitments

32. The municipality did not maintain a complete and accurate contracts or commitments register or contracts register. The commitments disclosed in note 45 to the financial statements were identified during the audit process. Consequently, the completeness of the amounts disclosed could not be confirmed and the commitments disclosure is understated by an unknown amount.

Disclosure Notes – Property Rates

33. Included in property rates (note 23 to the financial statements) are property valuations disclosed as R10,7 billion (2011: R10,7 billion). Per the valuation roll, these values are overstated by R736,7 million (2011: R547,3 million).

Corresponding Errors

34. In the prior year, the municipality did not adequately apply the recognition and measurement criteria as per GRAP 17, Property, Plant and Equipment, as certain properties in the immovable asset register were not registered in the name of the municipality, and a number of properties were included in the register at incorrect values. Consequently, property, plant and equipment in the comparative figures is potentially overstated by R171,6 million, depreciation

is understated by R63,6 million, the VAT receivable is understated by R3 million, and the accumulated surplus is overstated by R105 million.

35. The prior year comparative figure for other revenue was restated and increased by R9,4 million in order to recognise the water inventory as per note 39 to the financial statements. The basis for calculating the water inventory could not be confirmed and consequently the comparative figure for other revenue is overstated by R9,4 million.
36. The municipality made an adjustment to the comparative figures totalling R16,5 million, crediting VAT and debiting impairment losses. No supporting evidence was submitted to substantiate the adjustment. Consequently, in the corresponding figures, the VAT receivable is understated and impairment losses are overstated by R16,5 million.
37. The auditor's report for the year ended 30 June 2011 contained a disclaimer of opinion on the financial statements as a whole due to a limitation on the scope of the audit. Certain matters that gave rise to the limitation, as described below, remain unresolved in the current year.
38. The municipality could not provide sufficient appropriate audit evidence regarding the following:
 - Additions to property, plant and equipment of R15,8 million
 - Accrued leave of R5 million
 - Accumulated surplus of R23,7 million
 - Cash and cash equivalents of R40,8 million

Correction of Error

39. Prior period errors should be corrected and disclosed in accordance with GRAP 3, Accounting Policies, Changes in Accounting Estimates and Errors, which requires that material prior year errors be corrected retrospectively in the first set of financial statements authorised to be issued after discovery of these errors, by restating the comparatives for the prior period(s) presented in which the error occurred. Sufficient appropriate audit evidence could not be provided for all the prior period errors as disclosed in note 39 to the financial statements in respect of the following element making up the statement of financial position and statement of financial performance:
 - Non-current assets – R10,3 million
40. I was unable to confirm these adjustments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary.

Aggregation of Immaterial Uncorrected Misstatements

41. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements:
 - Non-current assets reflected as R1,5 billion are understated by R556 597
 - Current assets reflected as R116,9 million are understated by R761 815 (2011: R3 million)
 - Non-current liabilities reflected as R56,2 million are understated by R440 361
 - Current liabilities reflected as R133,1 million are understated by R930 264 (2011: R44 376)
 - Total revenue reflected as R323,5 million is overstated by R1,1 million (2011: R52 945)
 - Total expenditure reflected as R334 million is overstated by R1,8 million (2011: R126 403)
 - Accumulated surplus reflected as R1,4 billion is overstated by R324 568
 - Disclosure notes are misstated as follows:
 - Related parties reflected as Rnil are understated by R350 509
 - Irregular expenditure reflected as R5,8 million is understated by R3,5 million
 - Contingent liabilities reflected as R6,2 million are understated by R2 million

42. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm or verify the following elements by alternative means:
- Non-current assets reflected as R5,2 million
 - Current assets reflected as R1,6 million
 - Non-current liabilities reflected as R356 377
 - Current liabilities reflected as R2,5 million
 - Total revenue reflected as R3,3 million (2011: R186 810)
 - Total expenditure reflected as R1,3 million
 - Accumulated surplus reflected as R1,9 million
 - Prior year correction of impairment of debtors reflected as R2,7 million
43. As a result, I was unable to determine whether any further adjustments to these elements were necessary.

Disclaimer of Opinion

44. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of Matters

45. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material Losses and Impairments

46. As disclosed in note 32 to the financial statements, material losses of R29,7 million were incurred as a result of writing off irrecoverable trade debtors and increasing the provision for the impairment of debtors.
47. Additionally, disclosed in note 44.9 to the financial statements, material losses of electricity to the amount of R2,6 million and of water to the amount of R7,2 million were incurred as a result of faulty meters, meters being tampered with and illegal connections.

Material Underspensing of the Budget

48. As disclosed in appendix D to the financial statements, the municipality materially underspent the capital budget as well as the budget on planning and development and public safety, in spite of the municipal budget being overspent in total. As a consequence, the municipality did not achieve 51,2% of its planned objectives for the year.

Additional Matter

49. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited Supplementary Schedules

50. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

51. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined Objectives

52. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
53. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's Framework for managing programme performance information (FMPPI).
54. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
55. The material findings are as follows:

Usefulness of Information

Presentation

Measures taken to Improve Performance not Disclosed

56. Improvement measures for a total of 25% of the planned targets not achieved were not disclosed in the annual performance report, as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures for the processes pertaining to the reporting of performance information.

Consistency

Reported Objectives, Indicators and Targets not Consistent with Planned Objectives, Indicators and Targets

57. Section 41(c) of the MSA requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 36% of the reported objectives, 82% of the indicators and 41% of the targets were not consistent with the objectives, indicators and targets as per the approved integrated development plan. This was due to a lack of appropriate processes and procedures to report against predetermined objectives.

Measurability

Performance Targets not Specific

58. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. Thirty-three per cent of the indicators were not well defined, specific or time bound.

Reliability of Information

Validity

59. The FMPPI requires that processes and systems that produce the indicator be verifiable and accurate enough for its intended use and respond to changes in the level of performance. A total of 20% of the reported performance relevant to the objective: promoting a culture of reading and learning, 50% of the reported performance relevant to the objective: providing access to safe drinking water, and 25% of the reported performance relevant to the objective: contributing towards housing provision, was not valid and accurate when compared to the source information or evidence provided. This was due to a lack of monitoring and review as well as standard operating procedures not being adhered to for the recording of reported information by senior management.

Accuracy

60. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 67% of the objective: providing good quality roads and storm water drainage. This was due to limitations placed on the scope of my work due to the absence of information systems relating to performance reporting and the institution's records not permitting the application of alternative audit procedures.

Additional Matter

61. I draw attention to the matter below. This matter does not have an impact on the audit findings on predetermined objectives reported above.

Achievement of Planned Targets

62. As reported in the annual performance report, only 48,8% of the planned targets were achieved during the year under review. The main reason for the underachievement was the lack of financial resources to implement targets.

Compliance with Laws and Regulations

63. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Budgets

64. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
65. Quarterly reports were not submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
66. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

Annual Financial Statements, Performance Report and Annual Report

67. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatement of non-current assets, current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of audit opinion.

68. The annual report for the year under review did not include an assessment by the accounting officer of any arrears on municipal taxes and service charges or particulars of any corrective action taken or to be taken in response to issues raised in the audit report, as required by section 121 of the MFMA.
69. The annual report did not contain the performance of external service providers, a comparison of the performance with set targets, a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(a), (b) and (c) of the MSA.

Audit Committee

70. The audit committee did not advise the council, accounting officer and management staff on matters relating to the adequacy, reliability and accuracy of financial reporting and information, resulting in non-compliance with section 166(2)(a)(iv) of the MFMA.
71. The audit committee did not advise the council, accounting officer and management staff on matters relating to compliance with the MFMA, DoRA and the MSA, as required by section 166(2)(a)(vii) of the MFMA.
72. The audit committee did not, at least twice during the financial year, submit an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation (MPPMR) 14(4)(a)(iii).

Internal Audit

73. The internal auditors did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the audit committee, as required by MPPMR 14(1)(c). This was due to the fact that quarterly reports were not completed and submitted to the internal auditors within a reasonable and effective time frame.

Procurement and Contract Management

74. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, as required by SCM Regulation 17(a) and (c).
75. Quotations were accepted from prospective providers who were not registered on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(b).
76. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value above R200 000 had been procured by inviting competitive bids, as per the requirements of SCM Regulations 19(a) and 36(1).
77. Sufficient appropriate audit evidence could not be obtained that bid specifications had been drafted by bid specification committees composed of one or more officials of the municipality, as required by SCM Regulation 27(3).
78. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding had been advertised for the required minimum period, as required by SCM Regulation 22(1) and 22(2).
79. Sufficient appropriate audit evidence could not be obtained that bids had been evaluated by bid evaluation committees composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM Regulation 28(2).
80. Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.

81. Sufficient appropriate audit evidence could not be obtained that bid adjudication had always been done by committees composed in accordance with SCM Regulation 29(2).
82. Sufficient appropriate audit evidence could not be obtained that awards had not been made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM Regulation 29(5)(b).
83. Sufficient appropriate audit evidence could not be obtained that contracts and quotations had been awarded to suppliers based on preference points allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.
84. Sufficient appropriate audit evidence could not be obtained that contracts had only been extended or modified after tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
85. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts had been approved by a properly delegated official, as required by SCM Regulation 5.
86. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
87. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
88. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM Regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.
89. Allegations of fraud, corruption and improper conduct or failure to comply with the SCM system laid against officials or role players in the SCM system were not investigated, as required by SCM Regulation 38(1)(b).
90. Sufficient appropriate audit evidence could not be obtained that construction contracts had been awarded to contractors registered with the Construction Industry Development Board (CIDB) and had qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).
91. The accounting officer failed to implement measures to combat the abuse of the SCM system, contrary to the requirements of SCM Regulation 38(1).
92. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations had been awarded in accordance with the legislative requirements and a procurement process that was fair, equitable, transparent and competitive.

Human Resource Management and Compensation

93. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by the Regulation on Minimum Competency Levels 14(2)(b).
94. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.
95. The municipal manager, who was suspended during May 2012, did not sign a performance agreement, as required by section 57(2)(a) of the MSA.

Expenditure Management

96. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
97. An effective system of expenditure control was not in place, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
98. An adequate management, accounting and information system was not in place to recognise expenditure when it was incurred and to account for creditors, as required by section 65(2)(b) of the MFMA.
99. The accounting officer did not take effective steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
100. Irregular expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

Conditional Grants

101. The municipality did not evaluate its performance in respect of programmes funded by Schedule 4 allocations and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by sections 11(6)(a) and 12(6) of DoRA.
102. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.
103. The municipality did not certify to the National Treasury that it had included each programme funded by the schedule 4 allocation in its annual budget or made public the conditions of the schedule 4 allocation, as required by section 11(2)(a) of DoRA.
104. Monthly budget statements did not include the municipality's quarterly assessment of its spending and financial performance against its entire capital budget or performance against the targets stipulated in the infrastructure performance framework, as required by section 11(2)(b)(ii) of DoRA.
105. Quarterly reports were not submitted to the transferring national officer and the National Treasury on municipal performance for the quarter against the targets stipulated in the infrastructure performance framework, within 30 days after the end of each quarter, as required by section 11(2)(c)(ii) of DoRA.
106. Sufficient appropriate audit evidence could not be obtained that allocations from conditional grants had not been utilised for purposes other than those stipulated in the grant framework, in contravention of section 15(1) of the DoRA.
107. Sufficient appropriate audit evidence could not be obtained that unspent conditional grant funds not committed to identifiable projects and/or not approved by the National Treasury for retention had been surrendered to the national revenue fund, as required by section 20(1) of DoRA.
108. The municipality did not submit a draft performance framework by 30 March 2011, the final approved performance framework by 7 June 2011 as well as the human settlement and built environment performance framework and proof that the performance framework and the performance targets had been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.
109. The municipality did not submit the 2010-11 annual report to the national Department of Human Settlement on or before 30 September 2011 and to the National Treasury by 15 December 2011, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.

110. The municipality did not submit quarterly performance reports to the transferring national officer, the provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
111. The municipality did not submit, within the prescribed time frames, project registration forms for projects it intended implementing in the financial year under review to the Department of Local Government, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.
112. The municipality did not submit project implementation plans to the national Department of Cooperative Governance and Traditional Affairs, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280. The municipality did not register its master plans for bulk infrastructure with the Integrated National Electrification Programme, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.
113. Projects were not implemented in line with the details contained in the integrated development plan, as required by the Division of Revenue Grant Framework, issued in Gazette No. 34280.
114. The municipality did not comply with the preparations for the next financial year and the 2013-14 financial year, as required by section 26 of DoRA, in that projects to be funded from the allocations for the next financial year were not submitted to the national transferring officer and the final allocations were not submitted to the National Treasury by 7 December 2011.

Revenue Management

115. An adequate management, accounting and information system was not in place to recognise revenue when it was earned, as required by section 64(2)(e) of the MFMA.

Asset Management

116. An adequate management, accounting and information system was not in place to account for assets, as required by section 63(2)(a) of the MFMA.
117. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
118. Not all investments were made in accordance with the requirements of the investment policy, as required by Municipal Investment Regulation 3(3).

Liability Management

119. A management, accounting and information system was not in place to adequately account for liabilities, as required by section 63(2)(a) of the MFMA.
120. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

Internal Control

121. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

122. Top management did not demonstrate effective leadership based on ethical business practices and good governance, protecting and enhancing the best interest of the municipality, as was the case in the prior year. During the year under review, the chief financial officer remained suspended and was then dismissed for irregularities pertaining to SCM. The municipal manager was suspended and investigated during the year under review for potential irregular appointments, other SCM-related irregularities and the non-performance of the municipality.
123. Insufficient focus was placed on quality, as it was not understood to be a prerequisite. This is evidenced by the significant findings on internal control, financial management and reporting on predetermined objectives. Furthermore, the misstatements of the prior financial year had not been addressed and were repeated in the current year. This was also the case in previous financial years, with the result that the misstatements of at least the prior two financial years have not been sufficiently addressed.
124. Management was not able to implement effective human resource management to ensure that adequate and sufficient skilled resources were in place and that performance was monitored. This contributed to the significant number of material misstatements identified in the financial statements, findings on predetermined objectives and non-compliance with laws.
125. The accounting officer did not exercise adequate oversight responsibility over reporting, compliance with laws and regulations or internal control. This is evidenced by the number of findings related to procurement (SCM). As a result, unauthorised and irregular expenditure was incurred, as disclosed in the financial statements.
126. Although management developed an action plan to address the external audit findings of the prior years, the implementation of the plan was not adequately monitored, resulting in similar findings occurring in the current financial year.
127. The municipality did not have an adequately documented and approved information technology (IT) governance framework to provide comprehensive guidelines for IT decision-making. In addition, the IT risk framework and IT strategic plan were inadequately documented, implemented and approved. These deficiencies can be attributed to the fact that IT governance was not a priority for the municipality, as attempts to address prior year findings were inadequate.

Financial and Performance Management

128. The municipality did not have proper record keeping and record management systems, resulting in documents supporting the transactions and balances in the financial statements not being properly filed and easily retrievable. This contributed to pervasive material scope limitations and a number of material suspense accounts not being reconciled at year-end.
129. Quality and reliable financial statements and performance reports were not prepared, as staff did not have knowledge of the GRAP reporting framework and performance management requirements. This was evidenced by the fact that many material adjustments were required to the financial statements. Consequently, the financial statements initially submitted on 30 September 2012 did not comply with section 122(1)(a) of the MFMA, since the financial statements did not fairly present the state of affairs of the municipality and its financial results and financial position at the end of the financial year.
130. The implementation of controls over daily and monthly processing and reconciling of transactions was not effective and resulted in inaccurate financial reporting. Suspense accounts were not reconciled, suppliers were not reconciled to statements, while fixed asset register, investment, bank and VAT reconciliations were not adequately prepared or not prepared with sufficient frequency. Irregular practises, including unsupported journal entries and the apparent force-balancing of the bank account to the accumulated surplus, may indicate unauthorised withdrawals and other potentially fraudulent activity.

131. The review and monitoring of compliance with laws and regulations were not effective, as numerous instances of non-compliance were identified, relating to:
- expenditure management
 - revenue management
 - asset management
 - budget
 - annual financial statements and annual performance report
 - procurement and contract management.
132. The IT control environment was generally weak, mainly due to the fact that this area has not been a priority of the municipality.

Governance

133. Appropriate risk management activities relating to financial reporting, performance reporting and compliance with laws and regulations were not implemented during the financial year. There was also no approved IT risk and control framework or IT risk register.
134. Cognisance is taken of the work done by the internal audit unit, but the effectiveness of the unit was hampered by the limited budget allocated to this important function, which therefore had a direct impact on its effectiveness as well as that of the audit committee. As a result, the internal audit unit did not function as envisaged by section 165(2) of the MFMA. The internal audit unit only reviewed and reported on the performance reports relating to the first two quarters of the performance year, given the late submission of the further quarters' information. The annual performance report submitted for auditing was not reviewed by the internal audit unit and reported on to the audit committee.
135. Although the municipality had an audit committee, it did not effectively discharge its duties as envisaged by section 166 of the MFMA.
136. The number of findings related to misstatements in the financial statements, performance reporting and non-compliance with laws and regulations indicates that more oversight is required.

OTHER REPORTS

Investigations

137. As disclosed in note 43.3 to the financial statements, investigations into several alleged transgressions resulting in irregular and potential irregular expenditure are currently being conducted.

East London
1 February 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council
Baseline	Performance levels that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved (year ending on 30 June).
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Sets out municipal goals and development plans.
National key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunisation, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered).
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMSD performance standards are divided into indicators and the time factor.
Performance Targets	The level of performance that municipalities and its employees strive to achieve. Performance targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality’s delivery of services; including projections of the revenue (collected and operational) and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote	Section 1 of the MFMA defines a “vote” as: a) one of the main segments into which a municipality’s budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.