

**LUKHANJI
MUNICIPALITY**

**ANNUAL REPORT
2011/12**

**DRAFT 1
24/01/13**

INDEX

	Page
CHAPTER 1 - MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	1
COMPONENT A: MAYOR'S FOREWORD	1
LUKHANJI MUNICIPALITY "VISION" STATEMENTS	3
1.1. STATEMENT BY THE MUNICIPAL MANAGER	4
1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	6
1.2.1 Introduction	6
1.2.2 Locality and Economic Context	6
1.2.3 Demographics	8
1.3 SERVICE DELIVERY OVERVIEW	10
1.3.1 Technical Services	10
1.3.2 Community Services	11
1.3.3 Human Settlements and Land Development	13
1.4 FINANCIAL HEALTH OVERVIEW	15
1.4.1 Financial Overview	15
1.4.2 Operating Ratios	16
1.4.3 Capital Expenditure	16
CHAPTER 2 – GOVERNANCE	20
2.1 POLITICAL GOVERNANCE	20
2.1.1 Introduction to Political Governance	20
2.1.2 Division of Legislative and Executive Functions	20
2.1.2.1 The legislative function of Council	21
2.1.2.2 The Mayoral Committee	21
2.1.2.3 Section 80 Committees to assist Executive Mayor	22

2.1.2.4	The Section 79: Rules Committee	22
2.1.2.5	Powers of and Delegations to Executive Mayor	22
2.2	ADMINISTRATIVE GOVERNANCE	31
2.2.1	Introduction to Administrative Governance	31
2.3	INTERGOVERNMENTAL RELATIONS	33
2.4	PUBLIC MEETINGS	36
2.5	IDP PARTICIPATION AND ALIGNMENT	41
	CHAPTER 3 – SERVICE DELIVERY PERFORMANCE	42
3.1	WATER PROVISION	42
3.2	WASTE WATER (SANITATION) PROVISION	46
3.3	ELECTRICITY	50
3.4	LIBRARIES;	54
3.5	PARKS & RECREATION	56
3.5.1	Cemeteries and Crematoriums	56
3.5.2	Sports & Recreation	57
3.6	SAFETY AND SECURITY	58
3.7	FINANCIAL SERVICES	60
	COMPONENT E: PERFORMANCE REPORT	62
	CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	91
4.1	Employee Totals, Turnover and Vacancies	91
4.2	Policies	92
4.3	Injuries, Sickness and Suspensions	93
	CHAPTER 5 – FINANCIAL PERFORMANCE	97
5.1	Statement on Financial Performance	97
5.2	Asset Management	98

5.3	Repairs & Maintenance	98
5.4	Liquidity Ratios	99
CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS		100
AUDIT ACTION PLAN		118
APPENDICES		138
APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE		138
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES		140
APPENDIX C – FUNCTIONS OF MUNICIPALITY		141
APPENDIX D – WARD REPORTING		142
APPENDIX E – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2011/2012		149
APPENDIX F – COLLECTION PERFORMANCE BY VOTE AND BY SOURCE		150
APPENDIX G – CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG		151
APPENDIX H – CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES		152
APPENDIX I – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY		154
VOLUME II: ANNUAL FINANCIAL STATEMENTS		155

CHAPTER 1

CHAPTER 1 - MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

The financial performance year 2011-2012 has been quite an interesting one as we emerged from the Local Government Elections of 2011 which has ushered this leadership collective as led by the African National Congress. It ought to be said that our duty as enshrined in the Constitution of South Africa is to develop communities and ensure a better life for all as we promised in 1994.

Our thinking and efforts are guided by the vision and mission that was crafted and it keeps inspiring us to deliver these services in a sustainable manner. As it might be known we were left with this financial performance year and it took us to where we developed the Integrated Development Plan 2012-2017 and the Medium Term Revenue and Expenditure Framework 2012-2015 so as to change the lives of our people for the better.

Through the Service Delivery and Budget Implementation Plan of 2011-2012 this will provide a synopsis of the work that has been done since the assumption of office so that progress made is being along with challenges that faced the Municipality during the period in point.

In as far as governance is concerned; the political structures in the form of both the section 79 and 80 committees have been put in place to conduct their business along with management structures that were set to implement council decisions. Council has been confronted with the passing away of the Municipal Manager Mr Professor Bacela and that surely has challenged us in as far as the institutional memory as he was the first and the long servicing manager at Lukhanji.

With regards to the public participation the Office of the Speaker has been at the forefront to ensure that our communities are consulted and are part of decision making processes within the Municipality. As understood that education is everyone's business, Lukhanji adopted schools in the area and helped improved the results especially on mathematics and science. Public meetings on the IDP and Budget have been held during the period in question and that culminated adoption and implementation of the Service Delivery and Budget Implementation Plan of 2011-2012.

There are some improvements that have been done with regards to roads, electricity, housing, water and sanitation, parks and recreation and we acknowledge that a lot still needs to be done to change the plight and

CHAPTER 1

access to these basic services. We fully understand that we must improve the well-being of our people for the better so that we can pride ourselves to having delivered in the better life for all.

The financial resources of the Municipality are currently not adequate to respond to all the needs that have been raised by the people during all the community meetings. We fully acknowledge that our resources cannot match the community needs but as leadership we ought to go beyond and transcend the ordinary resources we get from the National Fiscus and develop strategies around resource mobilisation, partnerships and develop for other revenue sources. We are confident that if we engage in those dialogues, we can together make significant progress of changing the Lukhanji Municipal are for the better.

Our area has also been declared as a logistic and economic hub and we shall therefore focus all our energies working with all the sectors of society in a quest to realise those goals. Economic develop and growth must be key in the area so that can ensure that we build our manufacturing capacity and ignite other economic drivers so that in the ultimate end we create jobs that must lead to the reduction of poverty and destitution. We are determined as guided by our own vision and mission that we will change the tide against under-development and build a better place where all people irrespective of colour or creed harness the opportunities for their own destiny.

Yours in developmental local government;

CLLR M NONTSELE
EXECUTIVE MAYOR

CHAPTER 1

LUKHANJI MUNICIPALITY “VISION” STATEMENTS

VISION

The vision of the Lukhanji Local Municipality, working in partnership with its community is to:

- Deliver quality, affordable, equitable and sustainable essential services and infrastructure to all citizens of Lukhanji to allow them to live with dignity, with freedom from preventable disease and with liberty to pursue their own happiness and well-being within a sound financial framework.
- Maintain, develop and implement essential services through the optimization of resources at its disposal.
- Create and promote socio economic upliftment, poverty alleviation, stability and growth based on integrated development in the spirit of Batho Pele (Putting People first)

Thereby building an united, prosperous, productive community within a financially stable Municipality based on participating, developmental local government focussed on community needs so that it provides a better life for all.

MISSION

To provide effective, affordable, sustainable quality services and to facilitate sustainable integrated development in order to promote socio economic upliftment, stability and growth so as to realise the vision of the Lukhanji Municipality

VALUES

The key values that inform the approach of the Lukhanji Council are:

- Teamwork
- Integrity
- Tolerance
- Honesty
- Responsibility
- Trust
- People Development
- Respect

CHAPTER 1

COMPONENT B: EXECUTIVE SUMMARY

1.1. STATEMENT BY THE MUNICIPAL MANAGER

This report is published in terms of the Municipal Finance Management Act (MFMA), Act 56 of 2003 and the local government legislation that has brought about considerable changes to local government over the last 19 years. The MFMA sets very high standards when it comes to accounting on the use of public funds.

This report has been drafted in meticulous conformance with the Municipal Annual Report template and guidelines developed by the National Treasury in September 2012 (MFMA Circular No. 63). The template provides valuable guidelines that will, without any doubt, assist in the standardisation of municipal reporting across the country.

As is the case with many other municipalities, the Lukhanji Municipality strives to achieve service excellence in all areas of its work. This report will give readers a substantial insight into the workings of the Municipality.

Many important issues are highlighted in this annual report, which remain challenges for the administration in the period ahead. One of it is to concertedly reduce unnecessary operating expenditure thus enhancing the capability to afford a larger capital budget.

This 2011/12 Annual Report includes a depth of information that was not available in last year's report and I therefore have no doubt that in the years ahead we will continue to improve and deepen our standards of reporting, and ultimately and more importantly, the quality of services that we render.

A solid institutional platform has been built on which to enhance service delivery priorities. We have improved the level of public participation in Municipal Governance and continue to strive to improve our customer service delivery standards. The establishment and operationalization of the Municipal Public Accounts Committee is also a key milestone that was achieved.

On assuming duties on 1 September 2012 I became aware of the gaps in performance and performance management. To address this shortcoming, the employment contracts of all Directors have been standardized and for the first time in the history of the institution, all Directors signed performance agreements. A new system of delegations have also been developed and we will continue to develop and implement a culture of urgency and ensure that the Municipality responds to the needs of citizens in an equitable, fair, just, sustainable and financially viable way.

CHAPTER 1

Another challenge for us all is how best to strive for a service culture where accountability and incorruptible morality will prevail. The municipality will continue to implement the debt collection aggressively to clear its debtors in the 120 day period. This is to ensure that our capital budget increase in real terms and that revenue is raised through these collections are not meant for operating expenditure.

Component D (3.7) and the Liquidity Ratios under 5.4 of this report sketches Council's ability to collect revenue. Though a rigorous effort from the office of the Municipal Manager more than R1,3 million rand was recovered for the month of December 2012 only. Government Departments cooperated very well especially the Departments of Education and Health. We need to extend sincere appreciation for the cooperation received and acknowledge that sustained support in similar vein on a monthly basis will enable us to grow our investment portfolio.

The acquisition of a relatively big plant for road construction and maintenance as well as the additions to the old fleet is welcomed but a conscious strategy of cost recovery must be in place to replace the purchase of these infrastructural assets from the reserves.

Performance Management should be part of our daily function and not just a quarterly event that frustrates everyone. We would want to see it therefore not to be a computer system but a complete process that starts with the IDP and ends with the annual report.

On behalf of my predecessor, I would like to express my sincere appreciation and gratitude to the following;

- the community or our clients for their loyal support and understanding during the year under review.
- the staff for their unequivocal support and commitment during the past year; and
- the Councillors for their political guidance and leadership.

G S BROWN
MUNICIPAL MANAGER

CHAPTER 1

CHAPTER 1

The N6 from East London to Bloemfontein more or less dissects the area in a N-W to S-E direction while provincial roads traverse the area in a West to East direction linking Tarkastad and Lady Frere. This is a major route linking KZN and the ex-Transkei to the Southern and Western Cape. A surfaced road also links Queenstown and the Whittlesea - Sada area (the only other real urban area). Apart from these roads and the surfaced roads in the urban areas the rest of the roads in the area are largely gravel roads in a poor to very poor condition.

The average altitude of the area is 1070m above sea level which results in extreme maximum and minimum temperature ranges between summer and winter. The summer temperature of 11^o C (min) to 26^o C (max) falls to 0^o C (min) to 15^o C (max) with periodic snowfalls in winter. An average rainfall of 550 mm per annum is recorded in the summer months.

The economic growth rate for Lukhanji experienced fluctuations in the economy from 1996 to mid-2006 with an average 2.1% per annum, which is lower than the national average of 4.5%.

The top five sectors contributing to the local economy significantly are as follows:

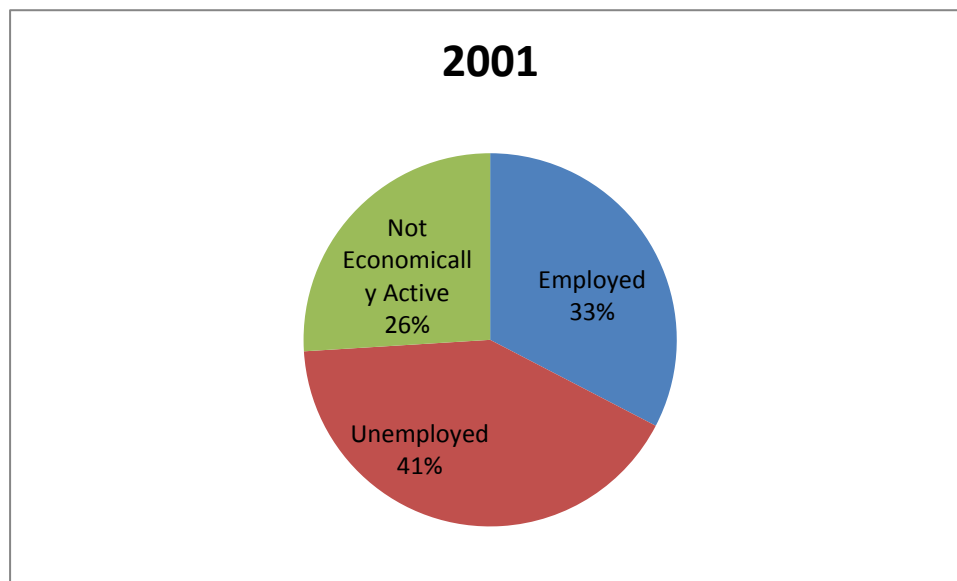
- General Government Services
- Finance and Business
- Wholesale, Retail and Trade
- Community and Social Services
- Manufacturing

The main employment sectors that have increased in formal employment included the following:

- General Government Services
- Wholesale, Retail trade and Catering Services
- Construction
- Finance and Business services
- Mining

Unemployment is a huge challenge in the Lukhanji Municipal area. In 2007, the formal unemployment rate for the economically active population was slightly above 41.1% (2,606) in the Lukhanji area, which is similar to the districts rate at 40.6%.

CHAPTER 1



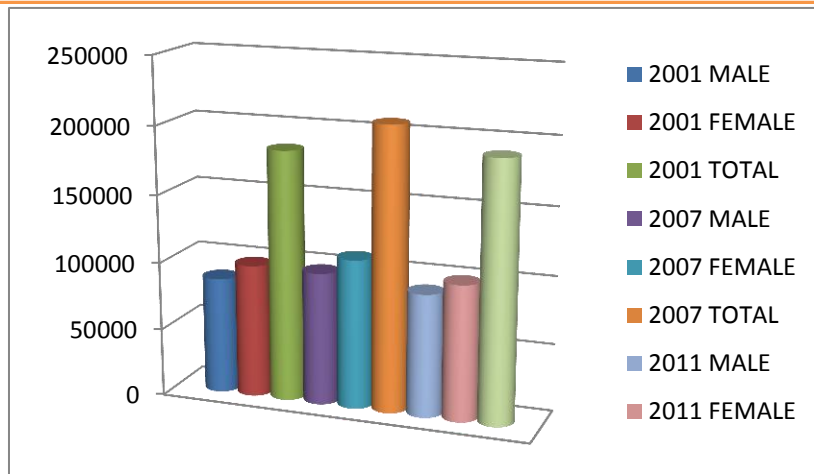
1.2.3 Demographics

In February 2007, Statistics South Africa conducted a large-scale Community Survey in all provinces. The main objective of the survey was to provide demographic and socio-economic data at municipal level. 949 105 persons were enumerated and 246 618 households were covered during enumeration. The table below reflects the population details of Lukhanji Municipality for the 2001 Statistics, the 2007 Community Survey results and the recently released 2011 statistics.

POPULATION DETAILS									
AGE	2001			2007			2011		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
0-4	8520	8208	16728	10516	10763	21279	10208	10381	20589
5-9	10225	10145	20370	10102	12042	22144	10081	9930	20011
10-14	12180	11918	24098	13045	12805	25850	9190	8465	17655
15-19	12213	12227	24440	13804	11688	25492	10041	9718	19759
20-24	7937	8257	16194	8655	10584	19239	9129	9035	18164
25-29	5965	7134	13099	7553	7031	14584	7644	7634	15278
30-34	4856	6078	10934	7626	6769	14395	5704	6023	11727
35-39	4610	6296	10906	4637	6309	10946	5212	5934	11146
40-44	4518	5770	10288	4873	6523	11396	4536	5737	10273
45-49	3648	4651	8299	4053	5816	9869	4229	5772	10001
50-54	2838	3609	6447	3287	3876	7163	3917	5426	9343
55-59	2148	2850	4998	2396	3928	6324	3286	4406	7692
60-64	2171	3539	5710	2128	2328	4456	2586	3351	5937
65-69	1426	2513	3939	1735	2873	4608	1714	2376	4090
70-74	1152	2000	3152	1217	2723	3940	1479	2459	3938
75-79	761	1191	1952	940	1716	2656	732	1500	2232

CHAPTER 1

80-84	632	1420	2052	728	1143	1871	495	986	1481
85+	294	641	935	560	1307	1867	436	970	1406
	86094	98447	184541	97855	110224	208079	90619	100103	190722



Population Growth since 2001

The following table depicts the 2011 Census results per ward.

WARD	MALE	FEMALE	TOTAL
Ward 1	4,347	4,559	8,906
Ward 2	3,331	3,589	6,920
Ward 3	3,237	3,462	6,699
Ward 4	2,476	2,949	5,425
Ward 5	3,180	2,798	5,977
Ward 6	3,501	3,625	7,127
Ward 7	4,892	5,572	10,464
Ward 8	3,022	3,662	6,685
Ward 9	3,207	3,701	6,908
Ward 10	1,993	2,312	4,304
Ward 11	3,804	4,407	8,211
Ward 12	2,807	2,863	5,669
Ward 13	2,761	2,732	5,494
Ward 14	2,923	3,145	6,067
Ward 15	2,296	2,525	4,822
Ward 16	2,846	3,246	6,092
Ward 17	3,241	3,793	7,035
Ward 18	5,993	6,545	12,538
Ward 19	4,098	4,737	8,835
Ward 20	2,950	3,484	6,434
Ward 21	2,894	3,208	6,101
Ward 22	3,834	4,146	7,980
Ward 23	2,186	2,489	4,675
Ward 24	2,488	3,039	5,527

CHAPTER 1

Ward 25	4,397	5,033	9,429
Ward 26	4,461	4,928	9,388
Ward 27	3,456	3,554	7,010
Total	90,619	100,103	190,722

1.3 SERVICE DELIVERY OVERVIEW

1.3.1 Technical Services

Water Services

Water is supplied from two sources: the Waterdown Dam operated by DWAF, which also supplies water to the Whittlesea / Sada area, and Bongolo Dam, owned by the Municipality. Total storage is about 42000 MI.

In most rural areas standpipe reticulation have been supplied, usually from a borehole source. Purified bulk water system has been supplied to the RA60. Water meters are installed at all areas except Zola and Extension 4.

Water and sanitation services are contracted out to Messrs Water and Sanitation Services of South Africa (WSSA). The company is responsible for all water and sanitation services excluding infrastructure provision as well as the operation and maintenance thereof. The service was contracted in 1992 and was limited to the old Queenstown municipal area and in 1995 it was extended to include the whole Queenstown TLC area. WSSA have to replace 2500m of waterpipes per annum in terms of the contract. The contractor receives a basic charge while the rest of its payment is volume based as per council meter readings.

All areas in Queenstown are 100% connected and metered with the exception of the informal areas with standpipes. Connections in Whittlesea and Sada are unmetered except for businesses, schools and government buildings. The Council is responsible for billing and credit control including the metering.

Chris Hani District Municipality is in terms of the allocation of Powers and Functions the Water Services Authority. The local municipality provides the service on behalf of the District Municipality.

The unaccounted-for-water in the Greater Queenstown supply area averages approximately 20%. The preliminary results of an investigation carried out by WSSA indicate that this is due to commercial losses such as users not being on the financial database and meter reading problems and to technical losses caused by bursts and leaks.

Apart from significant leakage in the older parts of the network which consists of steel pipes whose condition has deteriorated, the majority of the network consists of relatively new uPVC and MPVC networks. This is due to the amount of new networks laid during the past 15 years plus the regular pipe replacement programme plus ad hoc pipe replacement paid out of own funds.

The water losses in Whittlesea cannot be quantified due to none of the domestic users being metered. What is certain is that the average usage of nearly 25kl per household per month is far too high for a low income area.

CHAPTER 1

Sanitation

Queenstown, Mlungisi and Ezibileni all have waterborne sanitation. Sada, Ekupumleni, Whittlesea proper and Whittlesea Ext. 4 have waterbourne sewer systems. All buckets have been eradicated within the Lukhanji Municipal area.

Treatment capacity in Queenstown is 16Ml/d, adequate for the present inflow.

User-constructed pit latrines are in use throughout the rural areas.

Roads and stormwater

Queenstown - 95% of the roads are surfaced and in a poor to fair condition. The rest are gravel roads in a fair to poor condition

Mlungisi - 20% of the roads are surfaced and are in a fair condition. 55% is gravel and the quality ranges from fair to poor. The rest are gravel roads and in poor condition due to recent rains.

Ezibeleni - 30% of the roads are surfaced and in fair condition. The rest are gravel and in a poor condition.

Whittlesea - All roads in the area are in a poor condition. Whittlesea has 25% surfaced roads, 50% gravel and 25% graded.

All the roads in Sada are gravelled roads.

95% of the roads in Ekuphumleni are gravel while Madakeni and Shiloh have graded roads.

Electricity

Eskom is the bulk supplier while the Council does the reticulation and maintenance in Queenstown. Eskom supplies and maintains electricity in Whittlesea and all rural areas.

50kWh free basic electricity is provided to all indigent households. The Municipality provide free basic electricity to 7 209 households at a cost of R2,4 million while Eskom provide free basic electricity to 7027 households.

The electricity losses have a far bigger monetary value than water losses and certainly hold the key to the success or failure of Lukhanji. Electricity is one of the main sources of income for the municipality. The electricity losses for the period under review amounted to 32%.

1.3.2 Community Services

Waste Disposal

All urban areas are served by a kerb side service (collection on the pavement), with the exception of the informal settlements which have communal skips. No service is provided in rural area and farms. Businesses also receive a refuse removal service as per agreed collection schedule with Lukhanji Municipality.

CHAPTER 1

The Municipality has a permitted landfill site in Queenstown. The Municipality has established Waste Transfer Stations in Whittlesea, Illinge, and Lesseyton. But it is not yet operational.

27 000 households are served with 9 refuse compactors. Out of the 9 Compactor trucks only 3 trucks are reliable. There is no spare capacity and breakdowns of refuse removal trucks create big problems.

Cemeteries

The Lukhanji Cemetery that became operational in July 2005 are reaching its full capacity very soon. The District Municipality is responsible for the establishment of Cemeteries. Queenstown cemetery, Mlungisi cemetery and Ezibeleni cemetery is full and they were closed, although we still allow burials in them for reserved plots and extra deep graves that was reserved prior to July 2005. The Sada and Dongwe Cemetery are also reaching their full capacity as well as Lesseyton and Illinge.

Pauper burials are done in Queenstown and Whittlesea.

Nature Reserve

The reserves (Lawrence de Lange and Longhill) are adjacent to Queenstown and are stocked with between 700 and 800 animals of 17 different species including white rhino and giraffe. There are Bushmen paintings and fossil remains in the reserves. There is a Lapa and Sunnyside Picnic area for public use. Hunting packages are advertised every year to manage the animals on the reserves. Every three years about 250 to 300 animals are caught and sold live, depending on the climate conditions and the breeding that took place on the reserves. Futher more Educational tours for about 2000 school children are conducted during the year, as well as Guided walks and Game drives.

Commonage

The Municipality has a very large commonage, which are divided into camps, and rented out. However, the biggest problem is security and maintenance of fences, which has to be maintained at high costs to the Municipality.

Pound

The Lukhanji Municipality has a registered and permitted Municipal Pound In Queenstown. There is also a small pound in Whittlesea, where the animals are only kept for 2 to 3 days to be released, otherwise they are transferred to Queenstown. The Pounds are mainly used for the Impounding of stray animals, that is animals which are trespassing on private and government property as well as national roads. Trucks provided by the Department of Transport at no cost to the Municipality have been used in combating of stray animals on national roads under the Road Traffic Act. This program attained substantial success in combating accidents with animals involved and thus saving precious lives of motorists.

Fire and Emergency Services

The district municipality is responsible for fire and emergency services. However, the Lukhanji fire service is currently the only fire and emergency service in the area especially on the N6 route. All emergency staff members are part time firemen.

CHAPTER 1

1.3.3 Human Settlements and Land Development

Housing and Town Planning Services Delivery Strategy and Main Role-Players

The role of the Municipality in Town Planning is to manage land use and land sales and facilitation of housing development. The Municipality is receiving a number of applications on land management (rezoning, special, subdivisions and consolidation) and land sales. The municipality is assisting the public with housing issues. There is a team of housing administrators and land, Housing Manager, Manager Human Settlements and Land Development and the Director.

The municipality lost its developer status in 2010. All the housing projects of Lukhanji are managed and handled by the department of Human Settlement. The municipality work close with the department of Human Settlement in administrating housing projects within the municipality. Therefore, the department is not able to report on financials as it managed by the Department of Human Settlements.

In this financial year, the municipality has been working with the Provincial Department of Human Settlements (Capacity Building and municipal accreditation) assessing if the municipality can be granted accreditation for Housing Development.

Challenges

- Current backlog estimated to be plus or minus 40 000
- Informal settlements are growing at an alarming rate and the scarcity of accommodation remains the challenge
- MEC for Human Settlements requested to release the housing function in certain areas to the municipality in order to further expedite the construction of houses
- Ilinge, Newrathwick, Madakeni, Sada and Rural Housing Programme identified by Dept. as priority areas of development within lukhanji local municipality
- Non availability of funding for Town Planning and Survey projects (Spatial Planning and Land Use Management)
- Non availability of funds in the municipality and the Department of Local Government
- Shortage of funding for existing planning and survey project
- Land turner, where some of the land is not owned by the municipality but still under the state, becoming a constraint for the development Finalisation of transfers of certain portions of land in Whittlesea
- Transfer of state land in Lessyton
- Transfer of certain land parcels in Gwatyu farms to the municipality and to individual beneficiaries
- Former TBVC state planning ordinances, different legislations for Town Planning making it difficult to deal with land use management
- Slow rate of construction of temporary structures for rectification programme
- Unserved sites and non-availability of infrastructure.

Level and Standards and Housing and Town Planning Services

The land sale plan has been developed; it is still waiting for council approval. The land sale plan categorises various types of development. The planned Newrathwick project will be mixed types of housing, which are low income, middle income and high income housing development. All housing and Land Clerks have yearly targets and they report monthly on their achievements.

CHAPTER 1

Challenges and Remedial Action

A sizeable number of people are still residing in informal settlements. The estimated housing backlog is 40000. There is an urgent need to address this problem and relocate all informal settlement dwellers into service sites with intention to erect top structure on those sites. The Directorate has since identified land to accommodate these people. Thus far, one thousand two hundred (1 200) erven have been planned and pegged with electricity installed in those sites in New Rathwick at Mlungisi Township. The target has been to create three thousand (3 000).

The Department of Human Settlements at Provincial level and Chris Hani District Municipality are working hand in hand with the Municipality to install bulk services to the entire area. Furthermore an application has been submitted to the Department of Human Settlements at Provincial level.

Other challenges are people living in backyards across our township both at Mlungisi and Ezibeleni, even in these areas land has been earmarked for this purpose. At Mlungisi, Sabata Dalinyebo is going to be extended with two thousand (2 000) sites which would be developed in phases. Ezibeleni two (02) different portions of land have been set aside for further development, that is land next to Temba but adjacent to Ikhala College of Education. Another portion is on top of Ezibeleni below the mountain also earmarked for development.

Rural housing is another challenge faced by the municipality. The municipality has since requested the assistance of councilors to identify priorities in those villages where they are most need. That process has kicked off with councilors identifying priorities. There are a sizeable number of villages and farms within the municipality

Linked to other challenges is the growing habit amongst beneficiaries of houses where beneficiaries are selling their houses and return to informal settlements. Other challenges are the illegal occupation of land by members of the public and expect to be provided with services at the end of the day. Another serious challenge on provision of new houses is the level of quality that is produced by contractors. The workmanship is not pleasing at all. In some of the gatherings at provincial level, we have requested the blacklisting of these contractors.

Furthermore is the issue of the level of roads provided in these houses? The roads or funding available for these roads create more burden for the Municipality because the residents in these areas expect the Municipality to upgrade their gravel roads and sometimes demand higher level of roads like tarred roads. Though the Municipality has adopted a programme of gravel seal which is similar to tarred roads, the situation always creates more demands.

Estimated housing units built so far to address the housing backlog of 40 000 since 2006

Spatial Planning

Lukhanji SDF was last reviewed in 2007, it is outdated. The municipality is looking at reviewing the SDF with the help of the Chris Hani District Municipality. Municipal official and the public do not understand spatial planning. Funding to develop and implement spatial planning is limited. The municipality succeeded to secure funding for the review of the SDF from the department of Rural Development and Land Reform. The review is expected to start this financial year.

CHAPTER 1

Land Use Management

Land use management is still a challenge, especially in so called black townships like, ezibeleni, Mlungisi, Sada etc. Some of the challenges are as following:

- Illegal land uses and structures within the Lukhanji municipal area
- Main problem area in land use are illegal BnB's, illegal taverns, illegal businesses, illegal additional living units (flats)
- Building without submission of building plans
- Communities, Councillors and staff of Lukhanji Local Municipality not understanding Town planning Regulations and National Building Regulations
- Communities not understanding the infrastructure levy fees and the reason for the fee.

Opportunities and Challenges of Land Use Management

Opportunities

- Ability to manage land use
- Formal Town planning
- Determine deferent zones for different development
- Revenue enhancement through town planning applications

Challenges

- Illegal Uses
- No understanding of Land Use Management System
- Non availability of property management tool
- No clear understanding of Town Planning by community, municipal employees and Politian's
- No provision of funds for Town Planning Section

Town Planning Applications received.

A number of town planning applications were received this financial year. The only challenge is that most of them were not received due to non- sitting of Human Settlement Committee.

1.4 FINANCIAL HEALTH OVERVIEW

1.4.1. Financial Overview

2011/12			
Detail	Original budget	Adjustment budget	Actual
Income			
Grants	105 748 678	111 828 525	108 154 221
Taxes, levies and tariffs	321 123 837	312 480 352	238 698 654
Other	12 821 744	10 914 982	11 162 840
Sub Total	439 694 259	435 223 859	358 015 715
Less: Expenditure	439 694 259	435 223 859	310 363 091
Net Total – Surplus(Deficit)	0	0	47 652 624

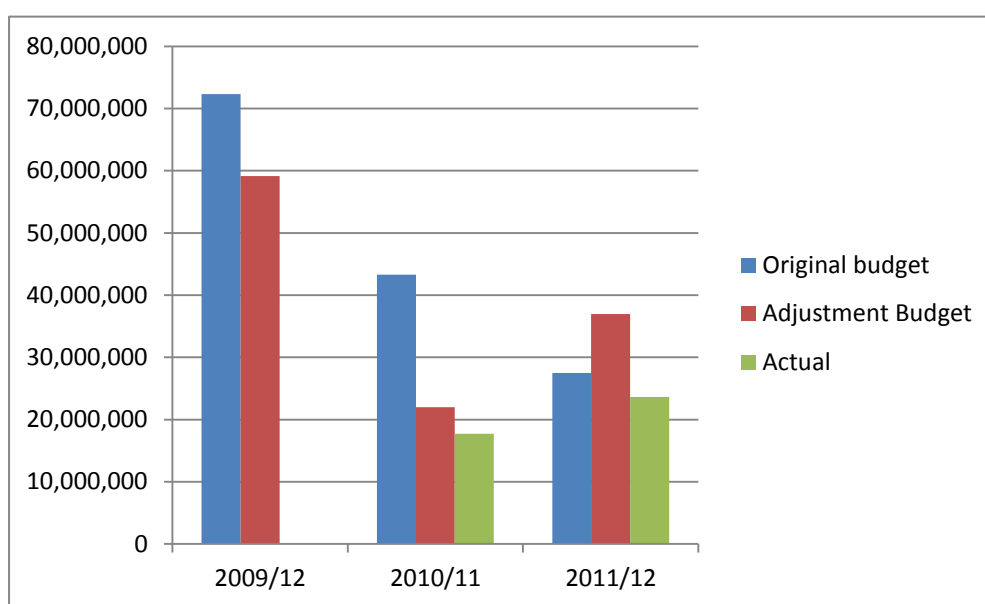
CHAPTER 1

1.4.2 Operating Ratios

Detail	%
Employee cost	34.2
Repairs and Maintenance	2.03
Finance cost and impairment	11.4

1.4.3 Capital Expenditure

Detail	2009/10	2010/11	2011/12
Original budget	72 322 000	43 286 000	27 480 000
Adjustment Budget	59 146 000	22 017 000	36 980 000
Actual		17 747 995	23 646 533



Supply Chain Management

	Question	Answer	Comment on progress	Date for completion	Official(s) responsible
1	Has the Council/Board of Directors adopted a SCM policy in terms of SCM regulation 3?	Yes		2006/07/01	scm manager
2	How many staff are employed by the SCM Unit? (show full time staff equivalent, a person shared with another function or working part-time on SCM is shown as a fraction)		2	2009/08/01	
	2.1	How many positions are unfilled, ie waiting for an appointment? (full time equivalent)		none	
	2.2	Has a job description been developed for each position within the SCM Unit?	Yes		
3	Has a detailed implementation plan for SCM been developed?	Yes		2011/07/01	

CHAPTER 1

Question		Answer	Comment on progress	Date for completion	Official(s) responsible
3.1	If "YES", is progress regularly measured against the implementation plan?	Yes			
4	Is a report on the implementation of the SCM Policy provided to the mayor (or the board of directors for an entity) within 10 days of the end of each quarter (reg 6(3))	Yes			
5	<i>SCM Processes:</i>				
5.1	Is the necessary needs assessment undertaken before each acquisition?	No			
5.2	Are preferential policy objectives identified to be met through each contract?	Yes			
5.3	Is the performance of vendors regularly monitored?	No			
5.4	Are SCM processes independently monitored to ensure the SCM policy is followed and desired objectives achieved?	Yes			
6	Are the threshold values contained in the SCM Policy aligned with the values stipulated in regulation 12?	Yes			
6.1	If "NO" are the values contained in the SCM Policy higher than that stipulated in regulation 12?	Y/N			
7	Do municipal bid documents comply with MFMA Circular No 25?	Y/N			
8	Do municipal bid documents include evaluation criteria for use by the bid evaluation and adjudication committees?	Yes			
9	<i>Regulation 46 requires the SCM Policy to establish a code of conduct.</i>				
9.1	Is the Code of Conduct issued by NT in MFMA Circular No 22 utilised?	Y/N			
9.2	Are measures in place to ensure all SCM practitioners are aware of the SCM code of conduct?	Yes			
10	Are all delegations in terms of SCM roles and responsibilities in writing (other than delegations contained in the SCM Policy)?	Yes			
11	Prior to making an award above R30 000 the municipality or municipal entity must check with SARS whether that persons tax matters are in order (reg 43 and MFMA Circular No 29). Is this being complied with?	Yes			
12	<i>Please confirm if records are kept of the following:</i>				
12.1	Petty cash purchases?	Yes			

CHAPTER 1

Question		Answer	Comment on progress	Date for completion	Official(s) responsible
	12.2	Written or verbal quotations received and awards made?	Yes		
	12.3	Tenders and all other bids received and awards made?	Yes		
13	Are all invitations for bids above R30 000 advertised for at least 7 days on the website and official notice board? (reg 18(a))		Yes		
	13.1	In addition, are all invitations for competitive bids publically advertised in newspapers commonly circulating locally? (reg 22(1))	Yes		
14	Is the "list of accredited prospective providers" required by regulation 14 updated at least quarterly?		No		
15	Is there a database established to record redundant and obsolete store items?		Y/N	n/a	
16	Are debriefing sessions held with unsuccessful bidders?		No		
17	<i>Training SCM practitioners</i>				
	17.1	Has a training strategy for SCM practitioners been developed?	Yes		
	17.2	What is the 2011/12 budget for the training of SCM practitioners?	R 0		
	17.3	Has the municipality or entity used an outsourced training provider for SCM, other than SAMDI?	Yes		
	17.4	If "yes" to 17.3 please list below the names of training provider(s) used to date (<i>expand this box if necessary</i>)		Use of the department of Local government support	March 2012 & June 2012
	17.5	Indicate the number of officials who have attended the SCM training conducted by SAMDI?	n/a		
	17.6	Indicate the number of officials who have attended SCM training conducted by training providers other than SAMDI?		nil	
18	Has as SCM procedure manual been developed to assist officials implement the SCM policy, consistent with the MFMA, regulations, circulars and the Accounting Officers Guidelines?		Yes		
19	<i>Bid Committee membership:</i>				
	19.1	Does the Bid Specification Committee membership comply with regulation 27?	Yes		

CHAPTER 1

Question		Answer	Comment on progress	Date for completion	Official(s) responsible
19.2	Does the Bid Evaluation Committee membership comply with regulation 28?	Yes			
19.3	Does the Bid Adjudication Committee membership comply with regulation 29?	Yes			
19.4	Has regulation 29(4), which stipulates that a member of a bid evaluation committee or an advisor may not be a member of a bid adjudication committee, been breached?	No			
20	<i>Procurement of IT related goods and services:</i>				
20.1	Are you aware that SITA can assist with the procurement of IT related goods and services (regulation 31)	Yes			
20.2	Have you utilised this facility before?	No			
21	Does the SCM Policy provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system? (reg 41(1))	Yes			

Free Basic Services

Water (6 kilolitres per household per month) Sanitation (free minimum level service) Electricity/other energy (50kwh per household per month) Refuse (removed at least once a week)

Free Basic Services To Low Income Households										
		Number of households								
		Total	Households earning less than R1,100 per month							
			Water		Sanitation		Electricity		Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2011/12		9000	9000	100	9000	100	13 000	100	9000	100
2010/11		9000	9000	100	9000	100	13 000	100	9000	100

CHAPTER 2

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

2.1.1 Introduction to Political Governance

Council business is regulated by a Diary of Engagements adopted by Council at the end of each year. This diary serves as a programme for all meetings of Council and Committees. Agenda items and reports for all meetings are drafted by the Administration. A report has to follow a lengthy process to ensure all role-players are aware and supportive of the recommendations before it appears on the Council agenda.

Reports are forwarded from the meeting of the Municipal Manager and Directors to the Section 80 Portfolio Committee Meeting where a full-time Councillor chairs the meeting in collaboration with part time Councillors of Lukhanji Standing Committees. After a report has been noted and commented on by the Section 80 Committee, it is then forwarded to the Mayoral Committee for resolution or comments according to delegated powers.

After a final resolution has been approved by either the Mayoral Committee or Council, it is captured in a resolution register which is regularly updated.

2.1.2 Division of Legislative and Executive Functions

In terms of Chapter 7 of the Constitution of the Republic of South Africa, the legislative and executive functions of a municipality are vested within its Municipal Council. Lukhanji has an Executive Mayoral System and as a consequence a split was initiated between the executive and legislative functions by delegating certain executive powers to its Executive Mayor.

With the introduction of the Municipal Public Accounts and Oversight Committee (MPAC) and its implied oversight role there has been a further implied split between the two functions. The MPAC as a structure of the legislative function (the Council) is expected to assist with oversight over the executive function (the Executive Mayor).

CHAPTER 2

The principle of good governance requires that the legislative and oversight function that is to be exercised by a municipal council should be independent of the executive function that has been delegated to the Executive Mayor. This is to avoid undue influence and pressure being exerted by one function upon another and to allow each function the opportunity to operate freely within its delegations.

2.1.2.1 The legislative function of Council

The legislative (and oversight) function of the Council is vested within the full Council with the Speaker as its chairperson. The passing of by-laws, policies on functions retained by Council and frameworks within which delegated powers must be exercised, remain the function of the full Council except where certain express delegations have been made in this regard. The Speaker is also responsible for the training of Councillors, Councillor capacitation, Ward Committees, CDW's, etc.

The Council has a full-time Chief Whip who is responsible for the Whippery.

2.1.2.2 The Mayoral Committee

The Mayoral Committee is the Executive wing of the institution chaired by the Executive Mayor. In terms of Chapter 3 of the Local Government Municipal Structures Act of 1998, if a municipal council has more than nine members, the Executive Mayor appoints a mayoral committee from among the Councillors to assist him and may:

- delegate specific responsibilities to each member of the committee
- may delegate any of the executive mayor's powers to the respective members: and
- may dismiss a member of the mayoral committee.

Those of the Executive Mayors powers and functions as may be designated by the municipal council must be exercised and performed by the Executive Mayor together with the other members of the Mayoral Committee. The members of a Mayoral Committee remain in office subject to subsection (5) and section 26, for the term of the Executive Mayor who appointed them. If the Executive Mayor vacates office, the Mayoral Committee appointed by that Executive Mayor dissolves.

CHAPTER 2

2.1.2.3 Section 80 Committees to assist Executive Mayor

The Structures Act further states that if a municipal council has an Executive Committee or Executive Mayor, it may appoint in terms of section 80, committees of Councillors to assist the Executive Committee or Executive Mayor. Such Committees may not in number exceed the number of members of the executive committee or mayoral committee. During the period under review, seven Section 80 Committees were established.

The following Section 80 Committees have been established, chaired by a full-time appointed Portfolio Holder serving on the Mayoral Committee:

- (i) Administration and Human Resources
- (ii) Budget and Treasury
- (iii) Community Services
- (iv) Human Settlements
- (v) Integrated Planning and Economic Development
- (vi) Special Programmes
- (vii) Technical Services

2.1.2.4 The Section 79: Rules Committee

In assisting the Speaker with the performance of the delegated function relating to investigating misconduct of Councillors, enforcing the Code of Conduct for Councillors and enforcing the Standing Orders of Council, a Section 79 Rules Committee was established.

Other Section 79 Committees established comprise the following:

- (i) MPAC
- (ii) Places and Street Naming Committee

2.1.2.5 Powers of and Delegations to Executive Mayor

Besides the powers and functions accorded to and imposed on the Executive Mayor in terms of legislation (e.g. the Municipal Systems Act, Municipal Finance Management Act, etc.), the executive function of the Council is delegated to the Executive Mayor as the appointed head of the executive function insofar as the

CHAPTER 2

Constitution and practicalities allow. The Executive Mayor is to exercise political oversight of the administration, except for the administrative unit known as "The Office of the Speaker".

In executing and performing the executive functions of Council and the Municipality, the Executive Mayor is assisted by eight Members of the Mayoral Committee each with a particular portfolio. The Sect 80 Committees contemplated in Annexure A constitute these specific portfolios.

POLITICAL STRUCTURE



EXECUTIVE MAYOR
CLLR M NONTSELE
PR (ANC)

The Executive Mayor is the political head of the institution and chairs the Mayoral Committee. He is head of the Mayoral Committee. His function and powers are outlined in Chapter 3 of the Local Government Municipal Structures Act of 1998.



SPEAKER
CLLR M SNYDERS
PR (ANC)

The Speaker:

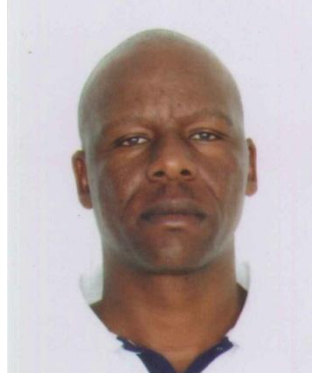
- presides at meetings of the council
- performs the duties and exercises the powers delegated to the speaker in terms of section 32 must ensure that the council meets at least quarterly
- must maintain order during meetings
- must ensure compliance in the council and council committees with the Code of Conduct set out in Schedule 5: and
- must ensure that council meetings are conducted in accordance with the rules and orders of the council.

CHAPTER 2



CHIEF WHIP
CLLR T JOCKI
PR (ANC)

Office of the Chief Whip is the nerve centre of the ruling party's political management system and the engine of cohesion, discipline and accountability of all Councilors through the Whippery.



CLLR M E NDINISE
CHAIRPERSON: MPAC
PR (ANC)

MAYORAL COMMITTEE



CLLR M Z GWANTSHU
TECHNICAL SERVICES
PR (ANC)



CLLR A E HULUSHE
HUMAN SETTLEMENTS
PR (ANC)

CHAPTER 2



CLLR D MJO
INTERGRATED PLANNING &
ECONOMIC DEVELOPMENT
PR (ANC)



CLLR B E MNGESE
COMMUNITY SERVICES
PR (ANC)



CLLR N C PAMBO
SPECIAL PROGRAMMES
PR (ANC)



CLLR M PETER
BUDGET AND TREASURY
PR (ANC)

CHAPTER 2



CLLR B G VAN HEERDEN
ADMINISTRATION AND
HUMAN RESOURCES
PR (ANC)

COUNCILLORS

Lukhanji has 54 Councillors consisting of 27 ward Councillors and 27 Proportional Councillors



CLLR M V BLEKIWE
(WARD 17) ANC



CLLR A V BOKUVA
(WARD 10) ANC



CLLR F M DAYIMANI
(WARD 18) ANC



CLLR J C DE WET
(WARD 26) DA



CLLR F N DUDA
(WARD 13) ANC



CLLR M L DYAN
(PR) ANC

CHAPTER 2



CLLR S R DYANTYI
(PR) ANC



CLLR Z A DYWILI
(WARD 15) ANC



CLLR S L GAJU
(PR) ANC



CLLR T M GXABA
(WARD 3) ANC



CLLR M S HOKOLO
(PR) UDM



CLLR M JASKA
(WARD 19) ANC



CLLR M Z KALIPHA
(PR) COPE



CLLR N E KONDLO
(WARD 12) ANC



CLLR N A KOPOLO
(PR) COPE

CHAPTER 2



CLLR F S LUNGISA
(PR) ANC



CLLR P Z MANDILE
(PR) DA



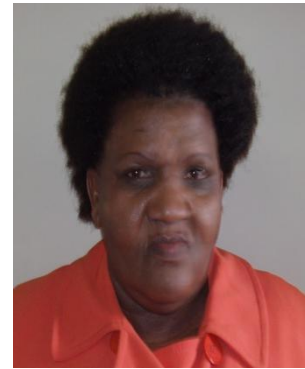
CLLR K MANZANA-SOVENDLE
(WARD 11) ANC



CLLR N L MAQUNGO
(PR) ANC



CLLR M M MATIWANE
(WARD 4) ANC



CLLR X P MBASANA
(WARD 24) ANC



CLLR N MFUNDISI
(PR) ANC



CLLR M MNYAKA
(PR) ANC



CLLR T V MPOLO
(WARD 2) ANC

CHAPTER 2



CLLR S N NDLEBE
(WARD 27) ANC



CLLR M NGESI
(WARD 7) ANC



CLLR D D NJOZELA
(WARD 6) ANC



CLLR N P NQUMA
(WARD 16) ANC



CLLR N J QOMOYI
(WARD 5) ANC



CLLR B G RANI
(WARD 25) ANC



CLLR L C RASIMOSI
(WARD 9) ANC



CLLR J M SHAW
(PR) DA



CLLR P M X SIBEFU
(WARD 22) ANC

CHAPTER 2



CLLR N SIMAMA
(WARD 20) ANC



CLLR M N SIYO
(PR) PAC



CLLR M J THOLE
(WARD 1) ANC



CLLR E N TSOTETSI
(WARD 21) ANC



CLLR M L TYHOLO
(PR) DA



CLLR M XHELISILO
(PR) DA



CLLR N T XULUBANA
(WARD 8) ANC

CHAPTER 2

2.2 ADMINISTRATIVE GOVERNANCE

2.2.1 Introduction to Administrative Governance

The Municipal Manager and Directors meet formally every Monday to deliberate on service delivery issues and reports that must be submitted to Standing Committees, the Mayoral Committee or Council in terms of Delegated Powers, as well as on organisational management matters. The management team also engages the Mayoral Committee on a monthly basis to ensure that the decision-making process is expedited to enhance service delivery. Each Director also interacts with his/her Portfolio Head on a more regular basis for the same purpose.



TIER 1

MUNICIPAL MANAGER MR G S BROWN *

*IDP/LED Strategic Manager **
*LED Manager **
*PMS Manager **



TIER 2 AND 3

CHIEF FINANCIAL OFFICER MS L NGENO *

Budget & Treasury Manager
Mr J Jonker

Income Manager
Ms V van Wyk

IT Manager
Mr D McKerry

SCM Manager
Mr A Nuku

CHAPTER 2



**DIRECTOR:
TECHNICAL SERVICES
MR P BEZUIDENHOUT ***

*PMU Manager **

**DIRECTOR:
COMMUNITY SERVICES
MR G JUDEEL**

Manager: Parks & Recreation

Cleansing Manager

Chief Traffic Officer

Chief Librarian



**DIRECTOR:
HUMAN SETTLEMENTS
MR L O NOMEVA**

*Housing Manager * (Seconded)*

*Manager: Town Planning **

CHAPTER 2



**DIRECTOR:
ADMINISTRATION AND HR
MRS N FOLOLO**

HR Manager

Administration Manager



**STRATEGIC EXECUTIVE OFFICER
MR D A VAN WYK**

Communications Manager

*SPU Manager **

Note: * denotes officials on fixed term performance contracts .

2.3 INTERGOVERNMENTAL RELATIONS

The Municipality appointed an Intergovernmental Relations Officer during the period under review. To exercise its executive and legislative authority within the constitutional system of co-operative governance envisaged in Section 41 of the Constitution, the IGR unit arranged a session with Regional Departments where issues of mutual concern was discussed. These discussions can briefly be summarized thus:

CHAPTER 2

1. STATUS REPORT ON SCHOOLS: DEPARTMENT OF EDUCATION

The Acting Director gave a comprehensive report on the status of schools within the Queenstown District. The following were highlighted:

- 27 Schools have been prioritized for building
- Main priorities include Louis Rex, Bulelani and schools in Yonda, Manzezulu, Sibonile and Claremonth
- The problems experienced at the schools listed above include:
 - School uses an old wooden structure/ floors rotten/ dangerous
 - Makes use of a dilapidating community structure
 - Operates from a community block structure and old prefabs
 - Operates from a dangerous broken asbestos structure
 - Operates from a community built structure which is inadequate for a high school
 - Makes use of old rotten wooden prefabs
- Other infrastructural needs include:
 - 8 Schools effected by tornados and in need of repairs
 - 7 Schools without electricity
 - 5 Schools that needs to be fenced in.
 - 8 Mud schools

2. SPORTSFIELDS: DSRAC

The following was reported:

- Sportsfields in Illinge, Ezibeleni and Sada need to be upgraded. The Department requested that these items be included in the IDP.
- A partnership between the municipality and the Department is needed to see to the restoration of other facilities at Dumpy Adams Sports Fields.
- Athletic facilities are lacking and require attention.
- 2 Officials have been appointed in the Department to assist with event management.
- Upgrade of Mlungisi Stadium including the construction of a clubhouse, lights, proper seating, etc.
- Assistance from municipality and DOE needed to do audit on infrastructure of sporting facilities.

CHAPTER 2

- A plan needs to be developed for the future use of Sandringham and Madeira.

3. REREGISTRATION AND WHITTLESEA OFFICE : SASSA

Whittlesea Office is in bad condition. Approval has been obtained for the establishment of a Park Home in due course.

The Area Manager explained the reregistration process and advised that national reregistration will start on 1 June 2012 until December 2012.

4. BACK TO SCHOOL CAMPAIGN: ANC

Lukhanji ANC sub-region have taken a resolution that it will, throughout the year 2012, be visiting all public high schools within Queenstown Education District located within the sub-region.

The Objectives of the Campaign are:

- To play our societal role within the education system.
- To appreciate the challenges facing the education, and assist in addressing them.
- To assist schools share best practices
- To help establish long lasting relations between schools and communities
- To assist in strengthening the working relations among all the stake holders within the system.
- To ensure that education becomes a societal issues

As part of this campaign, the ANC have visited all the public high schools with the district.

Findings include:

- Parental involvement, lack thereof
- Staff Shortages
- A number of schools, especially those in rural areas, reported a challenge to some learners who come from afar. The long distances they have to travel affect their performance.
- Lack of proper Infrastructure and facilities
- Discipline, lack thereof
- Nutrition: There is general sense that this program is back to normal and is assisting greatly in keeping learners focused on their school.

CHAPTER 2

- School grading: There is some feeling within some schools that the grading needs to be revisited as they have a view that they have wrongly been categorized. As a result they get disadvantaged in certain instances
- HIV & AIDS Policy: Some schools still do not have a policy on it.
- Career Guidance & Motivational Speakers: There is neither policy nor properly-crafted program that schools follow in ensuring that this done in an organised manner.

RELATIONSHIPS WITH MUNICIPAL ENTITIES

Lukhanji Local Municipality do not have any entities.

2.4 PUBLIC MEETINGS

The following table reflects details of public meetings held during the period under review:

WARDS	VENUE	TIME
5	Galawater Upper Shiloh Lower Shiloh Sibonile Dipala <u>SHILOH SCHOOL</u>	10:00 - 13:00
	<u>MBEKWENI</u> Dyamala Ngojini Mtha Nqobokeni	14:00 -16:00
Opening Ceremony Induction of Traditional Leaders	12 Apostolic Church	14:00 - 16:00
2	Ilinge	12:00-16:00
27	Lesseyton	09:00-13:30
18,20,21,Portion 25	Support Centre	17:00-19:00
Provincial visit	Lukhanji municipality	10:00-13:00
3	Machibini Clinic	9:00-11:00
2	Telecentre	11:00-13:00
27	Zinquthu	14:30 - 16:00
11 and 16 (<i>Ekephumleni + Zola</i>)	Ekuphumleni Hall	14:00 - 16:00

CHAPTER 2

WARDS	VENUE	TIME
Ext. 2 & 4, Whittlesea Town	Whittlesea Primary	14:30-18:00
Traditional Courts Bill Public Hearing	Town Hall	10:00
12	Yonda Shed	09:00 - 14:00
13, 14	Mceula Hall	09:00 - 14:00
6, 26 and 25	Town Hall	17:00 - 19:00
1	Tylden Creche	10:00 - 13:00
14, 18	Who can Tell	10:00 - 13:00
17	Brakloof	14:30 - 17:00
9,10,11	Sada	14:00 - 16:00
22, 23, 24, Portion 25	Skweyiya Hall	17:00 - 19:00
Gwatywu, Tembani, Forest Hill	Tembani	10:00 - 12:00
Nonibe, Sunnyside	Nonibe	14:00 - 17:00
Ward 9,10, 11	Sada Community Hall	10:00 - 14:00
18, 19	Ashley Wyngaard	17:00 - 19:00
Ward 27	Lessyton Clinic	10:00 - 13:00
Business Fraternity	Council Chamber	14:30 - 17:00
4,7,8,15	Ezibeleni Community Hall	14:00 - 17:00
17	Whittlesea Primary	14:00 - 17:00

During these meetings communities highlighted the following:

WARD 5 (MBEKWENI – Dyamala, Ngojini, Mtha, Nqobokeni)
<ol style="list-style-type: none"> 1. Toilets that have not yet been installed but are in Sibonile. 2. Water that is not available and sometimes it is not purified and causes illness to children. 3. Mbekweni Development 4. Request for a temporal structure for pensioners paypoint on paydays. 5. Request for a speed response in the issue of disaster houses in Ngojini. 6. Request for upgrading of roads. 7. Request for the Stormwater drains upgrading. 8. Cemeteries – request for a new graveyard as the old one is full. 9. Improvement of sport fields. 10. Request for a Community Hall to be built. 11. Whittlesea pound to be upgraded so that it can operate fully as it will be servicing over 20 villages in Whittlesea. 12. Request fencing of the dam. 13. Request for engine that will pump water. 14. Request that the plough fields at Ngojini be fenced.
WARD 2 (Ilinge)
<ol style="list-style-type: none"> 1. Issue of free buses for the elderly people. 2. Issue of the site area to build library and pre – school. 3. Request that people with grade 11 be considered when there are posts available.

CHAPTER 2

<ol style="list-style-type: none">4. Issue that roads be upgraded.5. Request that the allocated funds for ilinge be used effectively.6. Issue of stormwater drains be finished.7. Issue of old toilets systems in Mzamo be changed to new flushing toilets.8. Issue of developing youth in agricultural produce.9. Issue of more high light mast.10. Issue of refuse tip that will not be near the houses.11. Issue of indoor sports centre.12. Issue of library that will have an internet.13. Issue of RDP houses that was promised.14. Issue of sewer system.15. Request of caretaker for the graveyard and grave diggers.16. Issue of new police station.17. Request that the ward committee members allowance be increased.18. Issue of Municipal Offices at Ilinge.19. Issue of tap water and community members are willing to pay municipal accounts for services that will be rendered.20. Issue of RDP houses that has to be rectified.
WARD 27 (Lesseyton)
<ol style="list-style-type: none">1. Issue of development for farmers.2. Issue of non-availability of water in Zola extension.3. Issue of water pipes that has to be linked with the taps.4. Issue of highlight mast that must be increased.5. Issue of RDP houses.6. Issue of rotating the employment for the projects.7. Issue of land owners.8. Issue of inviting sector departments to the Budget and IDP Outreach.9. Issue of upgrading gravel roads.10. Issue of sports field for the development of the youth.
WARD 18,20,21,Portion of 25 (Support Center)
<ol style="list-style-type: none">1. Issue of inheritance of municipal debts by children when the parents are deceased.2. Issue of rebuilding the old houses of Queenstown.3. Issue of developing the Rastafarian community.4. Issue of houses in Nomzamo that does not have electricity and have cracks.5. Issue of billing pensioners.6. Issue of delaying building houses in polapark.
WARD 3 (Machibini)
<ol style="list-style-type: none">1. Issue of upgrading road at Nontloko.2. Issue of culverts bridges.3. Issue of building 2 halls that were promised and extension of lower Machibini hall.4. Issue of upgrading the telecenter.5. Issue of rotating development in certain areas.6. Request follow up to be done on the R2.4 million for the scheme.7. Issue of water that is not purified in the dams.8. Request chairs for the hall.9. Issue of assistance to be given to disabled children .10. Issue of RDP houses that were promised.11. Issue of upgrading the roads to the cemeteries.12. Issue of fencing the ploughfields.13. Request of grading sports fields for the youth.14. Request for extension to pull water for deeping animals.
WARD 26, 27 (Zingquthu)
<ol style="list-style-type: none">1. Issue of upgrading the roads.2. Issue of a hall that they were promised.3. Issue of highlight mast that are not enough.4. Issue of opening a road that is in a private property (farm).5. Issue of fencing ploughfields.6. Issue of sector departments to come to outreach.7. Issue of the bridge.8. Issue of unavailability of the Ward Councillor and request a Mayoral visit about the issue.

CHAPTER 2

<p>9. Issue of assistance for farming.</p> <p>10. Issue of a person benefitting on the Vodacom poles that are rented R14 000.00 per year since 2005.</p> <p>11. Issue of RDP houses that were promised.</p>
<p style="text-align: center;">WARD 12(Yonda)</p>
<p>1. Issue of road rehabilitation 5km tar roads.</p> <p>2. Issue of toilets that are built with bricks and it is difficult for elderly people to use them and there is no progress.</p> <p>3. Issue of temporary shelters that is not adequate.</p> <p>4. Request that monitoring and evaluation be done on projects especially roads.</p> <p>5. Issue of passable bridge at Heckney.</p> <p>6. Issue of storm drains as the water destroys the houses.</p> <p>7. Issue of Cibini crèche that was destroyed since 2009.</p> <p>8. Issue of ploughfields at Yonda, the engines and the pipes are not assisting.</p> <p>9. Request of police station.</p> <p>10. Repair of bridges.</p> <p>11. Issue of the unavailability of water at Eqaqeni.</p> <p>12. Issue of cleaning dams around Yonda and Heckney.</p> <p>13. Issue of disaster houses in Oxtan that were not given to residents.</p>
<p style="text-align: center;">WARD 13, 14(Mceula)</p>
<p>1. Issue of unavailability of electricity at Ensam and Poplar grove.</p> <p>2. Issue of unpurified water.</p> <p>3. Issue of Sisilana bridge.</p> <p>4. Issue of upgrading the roads.</p> <p>5. Issue of sanitation.</p> <p>6. Issue of highlight mast.</p> <p>7. Issue of formulating co-operatives for women and the youth.</p> <p>8. Issue of graveyards.</p>
<p style="text-align: center;">WARD 17(Brakloof)</p>
<p>1. Issue of water crisis.</p> <p>2. Issue of toilets for the schools.</p> <p>3. Issue of schools needed in the area.</p> <p>4. Issue of role clarification with Zulukama Community Trust.</p> <p>5. Issue of attracting Ikhala FET for the youth development.</p> <p>6. Issue of camp fencing to contribute to the upliftment of the economy through Shilo Irrigation.</p> <p>7. Issue of cleaning of dams.</p> <p>8. Issue of electrification of the RDP houses.</p> <p>9. Issue of sports centres and sports fields for the youth.</p> <p>10. Issue of title deeds that are needed.</p> <p>11. Issue of the shearing shed for the area.</p> <p>12. Issue of the animal deep.</p> <p>13. Issue of mobile clinic that is not visiting the area.</p> <p>14. Issue of bridge next to Sammy that needs to be rebuilt.</p>
<p style="text-align: center;">WARD 1 (Tylden)</p>
<p>1. Issue of the tip site, grazing camps and community hall site that has been identified by the community.</p> <p>2. Issue of water problems that the community is still having.</p> <p>3. Issue of the water pump that is broken around Tylden.</p> <p>4. Issue of the disaster houses that is prohibiting co- existence with church as it will cause problems for residents and the church.</p> <p>5. Issue of disaster housing needing electricity.</p> <p>6. Issue of cleaning toilets by the municipality.</p> <p>7. Issue of compensation that was not given for disaster.</p> <p>8. Issue of Tylden scheme.</p>
<p style="text-align: center;">WARD 14, 18 (Who can tell)</p>
<p>1. Issue of highlight mast that were promised.</p> <p>2. Issue of water that caused disaster in the graveyards.</p> <p>3. Issue of upgrading roads.</p> <p>4. Issue of engines that are needed for the borehole water.</p> <p>5. Issue of UMKHONTO VETERANS that are not in the budget.</p>

CHAPTER 2

<p>6. Issue of mobile clinics to do visitations to the area.</p> <p>7. Issue of proper sanitation.</p>
<p>WARD (Nonibe and Sunnyside)</p>
<p>1. Issue of upgrading of road.</p> <p>2. Issue of Willow vale bridge.</p> <p>3. Request that the development be done in all areas rotationally.</p> <p>4. Issue of highlight mast.</p> <p>5. Issue of unavailability of water in some areas.</p>
<p>WARD (Gwatyu, Tembani, Forest Hill)</p>
<p>1. Issue of co – ordinating the plant that will be at Ilinge.</p> <p>2. Issue of R7m for the development of Gwatyu.</p> <p>3. Issue of payment done regarding (vendle) herb.</p> <p>4. Issue of a venue to sell pre – paid electricity.</p> <p>5. Issue of non – availability of water.</p> <p>6. Issue of fencing the graveyard.</p> <p>7. Issue of dipping tank or stock handling facility.</p> <p>8. Issue of building RDP houses and a school.</p>
<p>WARD 9,10,11 (Sada Community Hall)</p>
<p>1. Issue of monitoring officials when they are supposed to do implementation.</p> <p>2. Issue of cleaning the streets.</p> <p>3. Issue of development of the stadium.</p> <p>4. Issue of the hall maintenance.</p> <p>5. Issue of a paypoint for the municipal services.</p> <p>6. Issue of RDP houses to be built at eMadakeni.</p> <p>7. Challenge in the employment for projects, it should be done for all areas rotationally.</p> <p>8. Issue of highlight mast in eMadakeni area.</p> <p>9. Issue of illegal dumping of refuse.</p> <p>10. Issue of skill centre that was promised.</p> <p>11. Request for quarterly meeting regarding development of the area.</p>
<p>WARD 18,19 (Ashley Wyngaard)</p>
<p>1. Issue of new electrical cables and transformers to be installed.</p> <p>2. Issue of toilets in Newvale that were unfinished.</p> <p>3. Issue of sites given for new tavern.</p> <p>4. Issue of pre – school that was requested at Sabata Dalindyebo.</p> <p>5. Issue of RDP houses that were build in Newvale that are not in good condition.</p> <p>6. Issue of EPWP to be rotational to all wards.</p> <p>7. Issue of the beginning of solar geyser.</p> <p>8. Issue of roads to be leveled.</p> <p>9. Issue of bridge to be built in Aloevale.</p>
<p>WARD 4,6,7,8,15 (Ezibeleni)</p>
<p>1. Issue of the hall that was promised for Temba residents.</p> <p>2. Issue of upgrading the storm water should start at ward 4.</p> <p>3. Issue of a bridge at eMachibini as the gets inside the houses.</p> <p>4. Request of a police station near ward 7.</p> <p>5. Issue of 3 boreholes that was bought and 1 taken to Ilinge.</p> <p>6. Issue of the site that is at the Queendustria that was given to site owners of Phakamisa area.</p> <p>7. Issue of delaying the mini mall that was approved.</p> <p>8. Request that the mountain be written EZIBELENI and the project should be given to the youth.</p> <p>9. Request on maintenance of a crèche that was donated by Dr Ntlabathi.</p> <p>10. Issue of corruption by employees.</p> <p>11. Request that the Executive May must conduct imbizo session to listen to the problems of the community.</p> <p>12. Issue of the new municipal structure that does not reflect in the organogram.</p> <p>13. Request that the waste manager be employed.</p> <p>14. Issue of upgrading the Ezibeleni electricity.</p> <p>15. Issue of being given poor services but areas that don't pay get better services.</p> <p>16. Issue of developing the Ezibeleni stadium.</p> <p>17. Issue of charging the rates monthly not annually.</p> <p>18. Issue that the Mayoral Committee should oversee the way Councillors work in their wards and they should also have register of problems and also offices.</p>

CHAPTER 2

19. Issue of satellite offices to be at the rent office.
20. Issue of the new tipsite.
21. Issue of Municipal by-laws not to be loose.
22. Issue of corruption that is done at the RDP houses at Unathi Mkefa.
23. Request confirmation that the material of the houses at Unathi Mkeva that are demolished is taken back to the municipality.
24. Request a bridge at Unathi Mkeva.
25. Issue of the tenders that are not localised.
26. Issue of upgrading the gravel road to the grave yard in Ezibeleni.
27. Issue of reconsidering the handing over of municipal accounts.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria	Yes/No
Does the municipality have impact, outcome, input, output indicators	Yes
Does the IDP have priorities, objectives, KPI, 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 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?	Yes

CHAPTER 3

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

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

INTRODUCTION TO WATER PROVISION

Water is supplied by two sources: the Waterdown dam, which also supplies water to Whittlesea/Sada area & the Bonkolo dam, owned by Lukhanji municipality. Total storage is about 46ML, which at present is becoming inadequate due to new developments in the area Raw water treatment, operation and maintenance thereof form part of the annual contract with WSSW. A moratorium has been placed on high density developments to minimize the problem. Chris Hani is the Water Authority and Lukhanji Municipality act as the Service Provider.

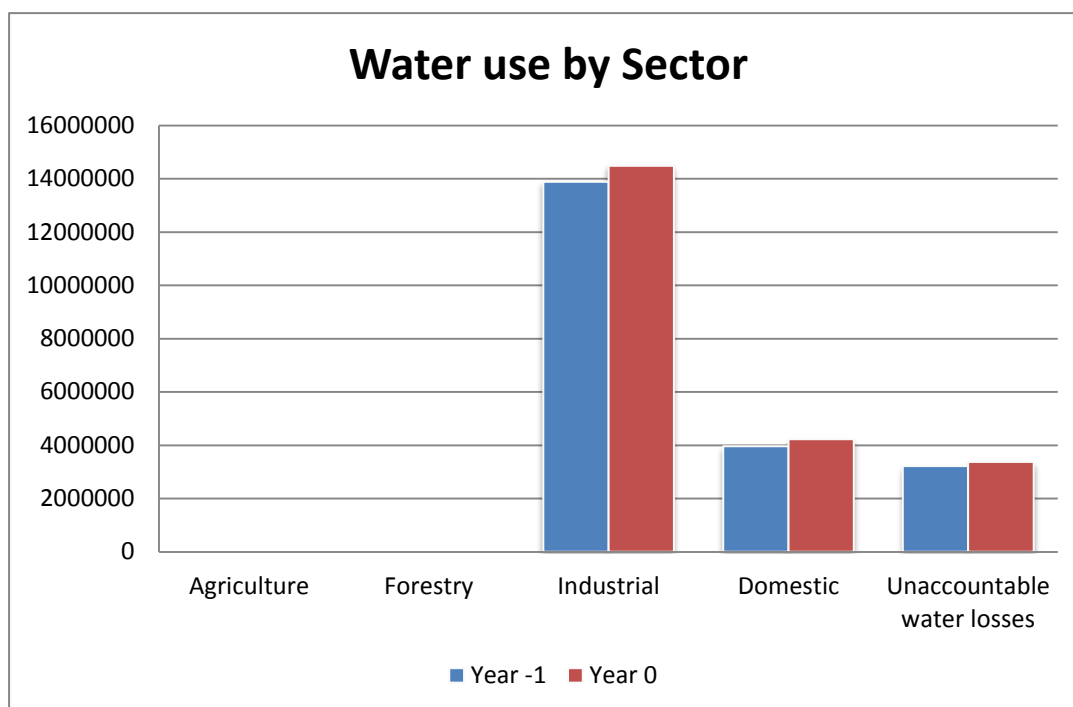
The water purchase and distribution functions of the municipality are administered as follows and include: All areas are connected to the network and metered with the exception of the rural areas. The informal areas are provided with communal stand pipes. Whittlesea areas are unmetered except for businesses and government buildings All indigent households are supplied with restrictor-flow meters to provide 10KL/month free basic service. The rural areas all receive free diesel/electricity to compensate for the 10KL Free Basic Services. All maintenance to pumps and motors are done by the ROMP section of the Local Municipality. WSSA are contracted out to do maintenance and operation of all water services, including infrastructure Metering is done on a daily basis Bulk and zone meters were installed to check on unaccounted- for water.

The municipality has a mandate for the establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution of bulk supply to local supply points, metering, tariffs setting and debt collection so as to ensure reliable supply to households, including informal households, to support life and personal hygiene.

The strategic objectives of this function are to provide potable water to all households and to meet the maximum demand. To maintain and operate the network at all times.

CHAPTER 3

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	0	0	13879853	3954786	3210235
Year 0	0	0	14482359	4227283	3367735



Water Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
Water: (above min level)				
Piped water inside dwelling	21 761	22 400	22 663	25 510
Piped water inside yard (but not in dwelling)	11 854	11 854	11 854	11 854
Using public tap (within 200m from dwelling)	8 340	8 460	8 511	9 099
Other water supply (within 200m)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	41 955	42 714	43 028	46 463
<i>Minimum Service Level and Above Percentage</i>	84,5%	84,5%	84,8%	90,8%
Water: (below min level)				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	7 698	7 828	7 692	4 710
No water supply	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	7 698	7 828	7 692	4 710
<i>Below Minimum Service Level Percentage</i>	15,5%	15,5%	15,2%	9,2%
Total number of households*	49 664	50 542	50 720	51 173

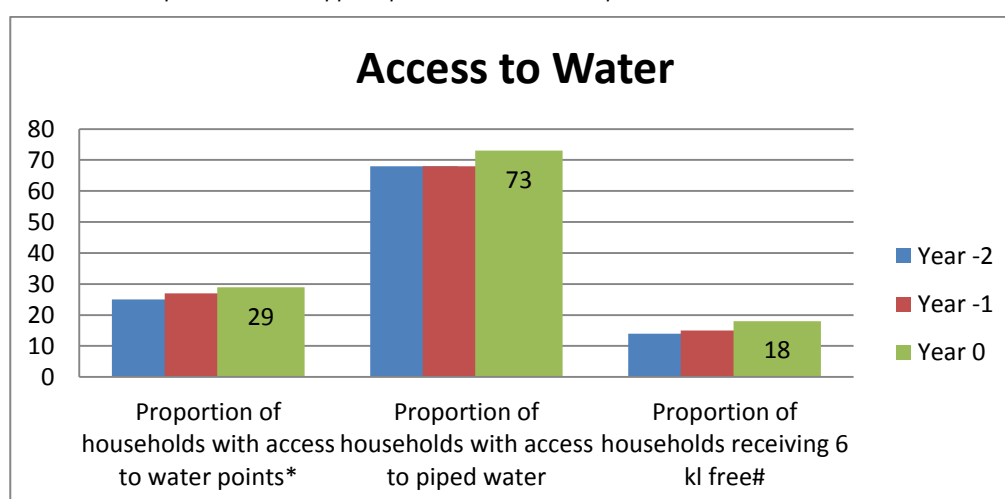
CHAPTER 3

Households - Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	41 995	42 714	43 028	46 463	46 463	46 463
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level						
Informal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households ts below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households ts below minimum service level	25%	25%	25%	25%	25%	25%

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
Year -2	25	68	14
Year -1	27	68	15
Year 0	29	73	18

* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute

6,000 litres of potable water supplied per formal connection per month



CHAPTER 3

Water Service Policy Objectives Taken From IDP										
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3		
		Target	Actual	Target		Actual	Target			
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)	
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	
Service Objective xxx										
Households without minimum water supply	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	7692	7692	7692	4710	4710	4500	4050	3645	
Improve reliability of water supply	Reduce the number of interruptions (Ints) in supply of one hour or more compared to the baseline of Year -1 (xxx interruptions of one hour or more during the yr)	273	273	273	273	80	80	72	65	
Improve water conservation	Reduce unaccountable water levels compared to the baseline of Year -1 (xxx kilolitres (KLs) unaccounted for during the yr)	3210235	3210235	3210235	3367735	3367735	2694188	22020641	1515481	

CHAPTER 3

Financial Performance Year 0: Water Services						R'000
Details	Year - 1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	0	62302260	62302260	64974134	4%	
Expenditure:						
Employees	0	9252623	9252623	8361144	-11%	
Repairs and Maintenance	0	6342086	6342086	35769087	82%	
Other	0	57133232	57133232	52949994	-8%	
Total Operational Expenditure	0	72727941	72727941	97080225	25%	
Net Operational Expenditure	0	10425681	10425681	32106091	68%	

Capital Expenditure Year 0: Water Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	1772104	1772104	1772104	0%		
Project A	250000	250000	250000	0%	250000	
Project B	250000	250000	250000	0%	250000	
Project C	1022104	1022104	1022104	0%	1022104	
Project D	250000	250000	250000	0%	250000	

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Water and sanitation services are contracted out to WSSA They are responsible for all water and sanitation services, including infrastructure, operation and maintenance thereof.

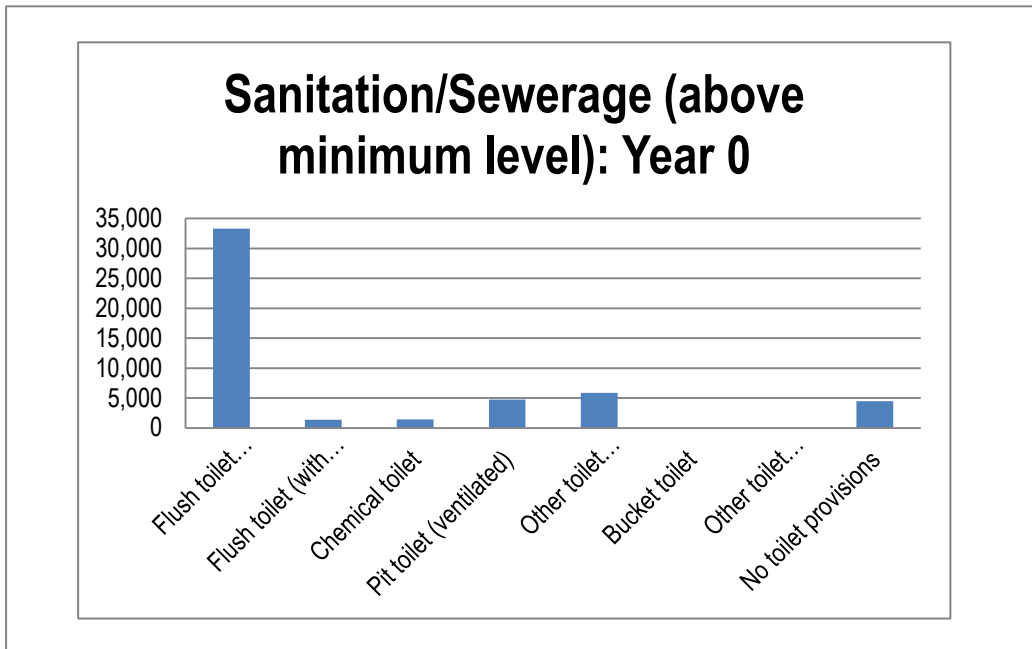
The sewerage functions of the municipality are administered as follows and include: annual contract with WSSA. Queenstown, Mlungisi and Madakeni all have waterborne sanitation. 10% of Whittlesea has septic tanks in extension 2, in Sada all buckets were eradicated during 2009 while the rest of Whittlesea are connected to waterborne sanitation Madakeni and Shiloh have pit latrines The informal areas have pit latrines which include a number of VIP,s hinge have waterborne sanitation connected to septic tanks

CHAPTER 3

Maintenance of all reticulation falls under WSSA as per contract except for rural areas which falls under the ROMP section of the municipality. This contract includes sewer blockages, rehabilitation of pipes and manholes, pipe replacement, etc. All septic tanks are cleared by the municipality through a sewer tanker on a daily basis.

The municipality has a mandate for the establishment, operation, management and regulation of a system, including infrastructure, for the collection removal disposal and/or purification of human excreta and domestic wastewater to ensure minimum standard of services necessary for safe and hygienic households.

The strategic objectives of this function are to meet maximum flow demand, to provide waterborne sewers to all households and maintain reticulation in proper working condition.



CHAPTER 3

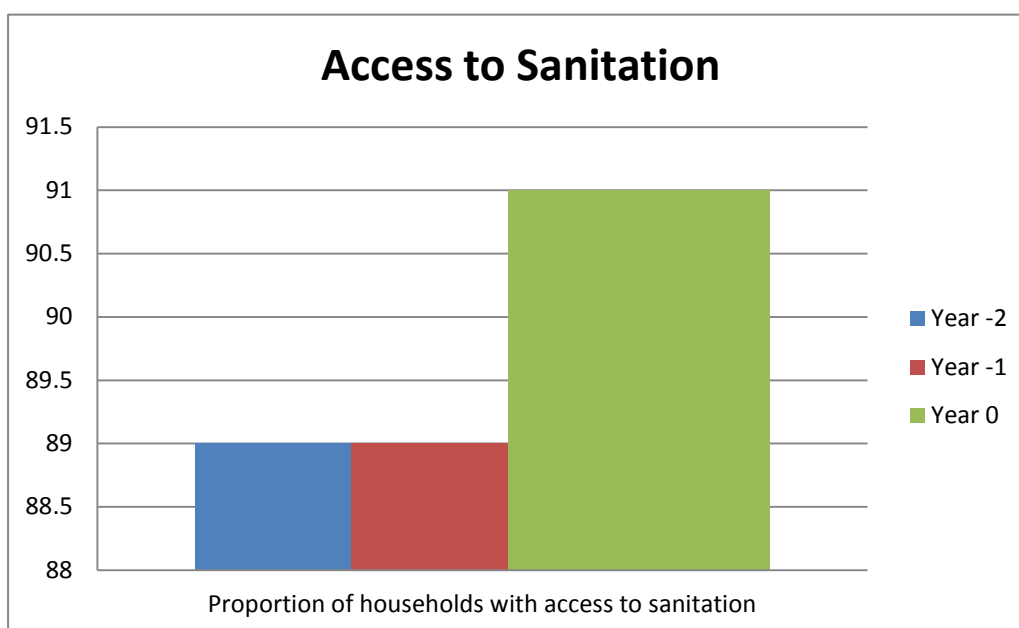
Sanitation Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
Sanitation/sewerage: (above minimum level)				
Flush toilet (connected to sewerage)	30 989	31 058	32 114	33 293
Flush toilet (with septic tank)	1 385	1 385	1 385	1 385
Chemical toilet	1 410	1 410	1 410	1 410
Pit toilet (ventilated)	4 746	6 388	4 746	4 746
Other toilet provisions (above min.service level)	5 433	44 987	5 608	5 857
<i>Minimum Service Level and Above sub-total</i>	43 963	44 987	45 263	46 691
<i>Minimum Service Level and Above Percentage</i>	88,5%	89,0%	89,2%	91,2%
Sanitation/sewerage: (below minimum level)				
Bucket toilet	1 266	–	–	–
Other toilet provisions (below min.service level)	–	–	–	–
No toilet provisions	4 435	5 555	5 457	4 482
<i>Below Minimum Service Level sub-total</i>	5 701	5 555	5 457	4 482
<i>Below Minimum Service Level Percentage</i>	11,5%	11,0%	10,8%	8,8%
Total households	49 664	50 542	50 720	51 173

***Total number of households including informal settlements**

Households - Sanitation Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	43963	44987	45263	46691	46691	46691
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	5701	5555	5457	4482	4482	4482
Households ts below minimum service level	5701	5555	5457	4482	4482	4482
Proportion of households ts below minimum service level	11,5%	11,0%	10,8%	8,8%	8,8%	8,8%

Access to Sanitation	
	Proportion of households with access to sanitation
Year -2	89
Year -1	89
Year 0	91

CHAPTER 3



Financial Performance Year 0: Sanitation Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	0	18690552	18690552	18777671	0%	
Expenditure:						
Employees	0	2107211	2107211	1827230	-15%	
Repairs and Maintenance	0	175300	175300	190308	8%	
Other	0	11909000	11909000	24652924	11%	
Total Operational Expenditure	0	24100799	24100799	26670462	10%	
Net Operational Expenditure	0	5410247	5410247	789279	-6%	

Capital Expenditure Year 0: Sanitation Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	260	326	378	31%		
Project A	100	130	128	22%	280	
Project B	80	91	90	11%	150	
Project C	45	50	80	44%	320	
Project D	35	55	80	56%	90	

CHAPTER 3

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

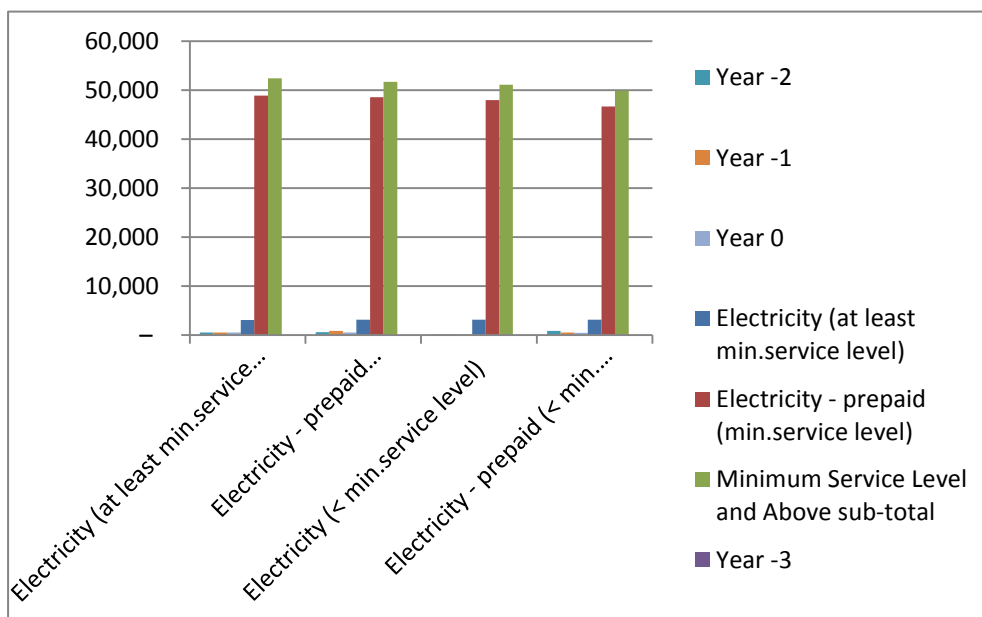
The Lukhanji Municipality is responsible for providing an O&M service to the electrical network within the urban areas of Queenstown, Ezibeleni and Mlungisi townships. Eskom is responsible for O&M within the rural areas of the Lukhanji Municipality.

In order to ensure that electricity is supplied to all households within the rural areas we have formed a form that coordinate the electrification of households that are still not electrified. We are fortunate that to date our backlog is very small as we are currently at approximately 98% electrified. Together with Eskom we are confident that our backlog will be reduced to 0% by 2014.

Our greatest priority currently is not electrification but rather maintenance and the upgrading of our electrical networks especially within the black townships. During winter periods when the demand for electricity is very high our current systems can't cope and we experience major power outages. Our priority therefore is to upgrade certain areas and to do system strengthening in other parts of the network.

During the previous financial year as well as this financial year we have managed to do a fairly large portion of the Ezibeleni electrical network but we need much more funding to complete Ezibeleni.

If we don't do the upgrading soon we will not be able to electrify any new housing and new business developments. However, we are in the process of developing a 5 year master plan in order to be able to apply for funding from the DOE.



CHAPTER 3

Electricity Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy: (above minimum level)</u>				
Electricity (at least min.service level)	3,111	3,119	3,132	3,162
Electricity - prepaid (min.service level)	48,838	48,571	47,962	46,671
<i>Minimum Service Level and Above sub-total</i>	52,418	51,690	51,094	49,833
<i>Minimum Service Level and Above Percentage</i>	99.6%	98.7%	97.9%	97.4%
<u>Energy: (below minimum level)</u>				
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	221	706	1,118	1,340
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	221	706	1,118	1,340
<i>Below Minimum Service Level Percentage</i>	0.4%	1.3%	2.1%	2.6%
Total number of households	52,639	52,396	52,212	51,173

Households - Electricity Service Delivery Levels below the minimum						
Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	50,364	50,739	50,922	51,173	51,173	51,173
Households below minimum service level	2,509	2,133	1,652	1,141	1,141	1,141
Proportion of households below minimum service level	5%	4%	3%	2%	2%	2%
Informal Settlements						
Total households	1,061	1,005	940	905	905	905
Households ts below minimum service level	1,061	1,005	940	905	905	905
Proportion of households ts below minimum service level	100%	100%	100%	100%	100%	100%

CHAPTER 3

Electricity Service Policy Objectives Taken From IDP									
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Provision of minimum supply of electricity	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)
To facilitate supply of electricity in rural areas	1,146	359	359	359	787	422	200	222	75
To provide electricity supply to h/h's in urban areas	506	150	150	150	150	131	60	71	50

Employees: Electricity Services					
Job Level	Year -1		Year 0		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	14	41	14	27	65%
4 - 6	9	16	9	7	44%
7 - 9	0	1	0	1	100%
10 - 12	9	15	9	7	47%
13 - 15	0	1	0	1	100%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	32	74	32	43	58%

CHAPTER 3

Financial Performance Year 0: Electricity Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	120	152829	152829	133157	-15%	
Expenditure:						
Employees	125	5312	5312	4485	-18%	
Repairs and Maintenance	25	3128	3128	2786	-12%	
Other	45	23463	23463	22141	-6%	
Total Operational Expenditure	195	31903	31903	29412	-8%	
Net Operational Expenditure	75	-120926	-120926	-103745	-17%	

Capital Expenditure Year 0: Electricity Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	8895	8895	8895	0%		
Zone D Upgrade	2696	2696	2696	0%	2696	
Ezibeleni Zone 2 Upgrade	4400	4400	4400	0%	4400	
Nomzamo Electrification	1800	1800	1800	0%	1800	

The Table above gives the three capital projects that were done during year 0. As previously explained our biggest priority is to upgrade and or to strengthen our electrical network especially in the black townships. Hence the Zone D and Zone 2 upgrade projects in Ezibeleni.

Due to the urgency of these two projects a lot of pressure was put on the contractor to complete these projects within time and budget. From the figures given in T 3.3.8 it can be seen that we kept within budget on all 3 capital projects. However, the Nomzamo project could not be completed in total due to the non-completion of 206 houses. Human Settlements has removed the building contractor responsible for building the houses from site due to poor performance. Ever since then the project came to a standstill as a result of the contractor who has taken human settlements to court because of this dispute.

All Eskom projects are being project managed by themselves and we don't get involved other than for filling a liaison role.

CHAPTER 3

COMPONENT B: COMMUNITY AND SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

3.4 LIBRARIES;

INTRODUCTION TO LIBRARIES

Libraries can be regarded as social and community facilities. A community library is the local gateway to knowledge. It provides basic conditions for lifelong learning, independent decision making and cultural development. Libraries and Information Services enable intellectual freedom by providing access to information, ideas and works of imagination. It provides information and ideas that are fundamental to function successfully in today's information and knowledge-based society.

Community Libraries are also actively involved in community development through programmes, projects and activities that facilitate capacity building and empowerment opportunities. Lukhanji libraries consist of 5 library facilities (Main Library (Queenstown), Ezibeleni, Victoria Park, Mlungisi and Whittlesea.

The provision of library and information services within the municipality includes the following:

Leisure reading, general enquiries, assistance with school projects and homework, study areas, photocopying services, computing services, assisting people in need of help, creating and strengthening reading habits in children, facilitation of reading activities and story hours, community information, supporting individual and self-conducted education, providing access to local, regional, national and global resources, providing information for knowledge, understanding, imagination and enjoyment, non-formal education, informal education, outreach services, extension services and community development work.

Libraries; Archives; Museums; Galleries; Community Facilities; Other Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Participate and support activities of DSRAC	Attend meetings and activities, e.g. Library Week Competitions	100%	100%	100%	100%	100%			

CHAPTER 3

Disseminate information to Communités	Provide library materials	80000	84273						
Disseminate information to the aged	Provide service to old age homes	40	44						
Conduct community educational programmes	Conduct children's holiday programmes and orientation classes	4000	5935						

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	6	6	6	0	
4 - 6	4	9	4	5	
7 - 9					
10 - 12	4	5	4	1	
13 - 15					
16 - 18					
19 - 20					
Total	14	20	14	6	30%

CHAPTER 3

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		2507984		87213	-2776%
Expenditure:					
Employees		2644295		720670	-267%
Repairs and Maintenance		24658		11203	-120%
Other		130115		102949	-26%
Total Operational Expenditure		2799068	0	834822	-235%
Net Operational Expenditure		291084	0	747609	61%

3.5 PARKS & RECREATION

A comprehensive account on the functions of the Parks and Recreation section has been given in Chapter One of this report.

3.5.1 Cemeteries and Crematoriums

Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
Construction of Whittlesea Cemetery	Contractor on site	50%	0%	50%	50%	0%			
Fencing of Mlungisi Cemetery	Completed Fence			100%	20%	20%			
Maintenance of Cemeteries	Clean Cemeteries	100%	100%	100%	100%	100%			

Employees: Cemeteries and Crematoriums					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	8	5	3	37%
4 - 6	1	1	1	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	6	9	6	3	33%

CHAPTER 3

Financial Performance Year 0: Cemeteries and Crematoriums						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	10554912	10554912			16%	
Expenditure:						
Employees	444299	444299			23%	
Repairs and Maintenance	96296	96296			20%	
Other	168307	168307			14%	
Total Operational Expenditure	708902	708902	0	0		
Net Operational Expenditure	-9846010	-9846010	0	0		

3.5.2 Sports & Recreation

Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 0		Year 1			Year 2	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
		Service Objective xxx							
Upgrading Dumpy Adams Cricket Field and Athletics Track (Refurbishment and Upgrade)	Contractor of site	50%	0%	50%	50%	15%			
Rehabilitation of Ezibeleni Stadium Ablution Block	Contractor of site	50%	0%	50%	50%	0%			
Rehabilitation of Sada Stadium Ablution Block	Contractor of site	50%	0%	50%	50%	0%			

Employees: Sport and Recreation						
Job Level	Year -1	Year 0				
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
	No.	No.	No.	No.	%	
0 - 3	4	6	4	2	33%	
4 - 6	3	3	3	0	0%	
7 - 9	1	1	1	0	0%	
10 - 12						
13 - 15						
16 - 18						
19 - 20						
Total	8	10	8	2	20%	

CHAPTER 3

Financial Performance Year 0: Sport and Recreation					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	155916	155916			14%
Expenditure:					
Employees	672638	672638			8%
Repairs and Maintenance	18000	18000			2%
Other	70226	70226			11%
Total Operational Expenditure	760864	760864	0	0	12%
Net Operational Expenditure	604948	604948	0	0	

COMPONENT C: SECURITY AND SAFETY

3.6 SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

Fire Service Data					
	Details	Year -1	Year 0		Year 1
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	277			
2	Total of other incidents attended in the year	38			
3	Average turnout time - urban areas	15 min			
4	Average turnout time - rural areas	25.30 min			
5	Fire fighters in post at year end	4			
6	Total fire appliances at year end	9			
7	Average number of appliance off the road during the year	-			

R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1531	1500	1500	1075	28%
Expenditure:					
Fire fighters	417263	350742	415957	415957	0%
Other employees	81345	81251	83848	83848	0%
Repairs and Maintenance	32486	45154	45154	38148	-15%
Other	49646	113527	113527	99719	-12%
Total Operational Expenditure	631143	643543	643543	611613	-5%
Net Operational Expenditure	619911				

CHAPTER 3

Capital Expenditure Year 0: Fire Services						R' 000
Capital Projects	Year 0					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All						
Project A	3000000	3000000	2800000		-6%	
Project B						
Project C						
Project D						

Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc Policy Objectives Taken From IDP						
Service Objectives	Outline Service Targets	Year 0		Year 1		
		Target	Actual	Target		Actual
Service Indicators		*Previous Year		*Previous Year	*Current Year	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
Service Objective xxx						
To mitigate and reduce the impact of disaster incidents	Disaster Management Plan			Working agreement with CHDM and Risk analysis on disastes recently prevailing within municipality	Development of disaster management plan	Implementation of disaster management plan
To reduce the levels of vulnerability to disasters	Awareness campaigns in all 27 wards				Awareness campaigns done in all wards	Awareness campaigns done in all wards

Financial Performance Year 0: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					R'000
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure	86147	78824	78824	74000	
Net Operational Expenditure	86147	78824	78824	74000	

CHAPTER 3

Capital Expenditure Year 0: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A	4014468	4014468	3950260	1%	4014468

COMPONENT D: FINANCIAL SERVICES

3.7 FINANCIAL SERVICES

Debt Recovery

Debt Recovery							
Details of the types of account raised and recovered	2010/11		2011/12				
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates			68 764 372	68 764 372	27 088 775		
Electricity - B			5 214 033	5 214 033	4 187 481		
Electricity - C			58 047 394	58 047 394	56 074 244		
Water – B			8 998 357	8 998 357	3 458 958		
Water – C			15 841 401	15 841 401	11 221 266		
Sanitation			14 607 757	14 607 757	7 559 247		
Refuse			19 393 473	19 393 473	9 382 048		
Other			12 316 260	12 316 260	36 120 456		

Financial Performance

Financial Performance 2011/12: Financial Services					
R'000					
Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	360 283 733	439 694 258	435 223 859	358 015 715	81 678 543
Expenditure:					
Employees	102 898 997	131 471 010	123 231 852	106 025 691	25 445 319
Repairs and Maintenance	6 652 474	10 010 601	15 182 152	6 288 497	3 722 104
Other	213 060 862	298 212 647	296 809 855	198 048 903	100 163 744
Total Operational expenditure	322 412 333	439 694 258	435 223 859	310 363 091	129 331 167
Net Operational expenditure	37 871 400	0	0	47 652 624	-47 652 624

CHAPTER 3

Capital Expenditure

Capital Projects	2011/12				
	Original Budget	Adjustment Budget	Actual Expenditure	Variance to Budget	Total Project Value
Project A(Lukhanji Community Lightning)	7 990 000	7 990 000	7 003 087	986 913	7 990 000
Project B(Qwabi Bridge)	2 816 835	2 807 254	2 640 208	176 627	2 816 835
Project C(Surfacing of gravel roads)	2 147 925	2 147 925	247 221	1 900 704	2 147 925
Project D(Rural roads phase 4)	2 275 073	1 933 053	3 498 109	-1 223 036	3 498 109
Project E(Community Hall)	1 177 000	1 577 000	491 649	685 351	1 577 000

CHAPTER 3

COMPONENT E: PERFORMANCE REPORT

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
DECENT JOBS AND SUSTAINABLE LIVELIHOODS	Electricity Network needs to be upgraded	15%	Develop a business plan and apply for funding from DOE	OPEX		% of Business Plan completed	Business Plan submitted for funding	100%			Council approval of Business Plan	Technical Services
			10 people employed to do inspections/ disconnections.	2011/12 BUDGET		% disconnections of suspected illegal connections	Reduction in number of illegal connections	100%			Reduction in electricity losses level	
			Replace obsolete meters			% of Obsolete meters replaced	No. of meters replaced	50%			Reports to Standing Committee	
	One Roads Unit not effective enough		Establish Second Unit	MIG (Municipal Infrastructure Grant)		% progress made with establishment of Unit 2	Unit 2 operational	100%			Operational Unit	Technical Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER	
			Purchase of plant for a second roads unit through the MIG Funds (Budget for the re-gravelling program).			% of required plant acquired	New plant purchased	100%			Asset Register		
	Gwatyu Farms	8%	Explore possibilities and develop plans around:-	Rural Development and Land Reform	7 000 000								
			<u>Revitalisation of Town Centre</u>	-									
			Integrated approach on CBD Development and Town Revitalisation				% Reviewal of structure plan	New Structure Plan	100%	Not Achieved	Funding not available	Revised Structure Plan	Human Settlements Technical Services
			1. Showgrounds N6,			OPEX							
			2. Construction of the Q mall	External Developers			Dependent on Developers						External Developers

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			3. Royal Mall Developers to construct a bridge from the Mall and Thobi Kula.									
			4. Developers to adopt Thobi Kula in their maintenance plan.									
			5. Office complex									
			6. Aerodrome Dev.									
	Socio-economic development	7%	NDPG funding : Focus on previously disadvantaged areas.	National Treasury		% of Business Plan completed	Business Plan submitted for funding	19%	Not Achieved	Business Plan was submitted, awaiting NDPG to appoint the Service Provider	Mayoral Resolution adopting plan	Technical Services Budget & Treasury; SPU; Human Settlements Community Services
			<u>Township Revitalisation programme</u>						Not Achieved	Business Plan was submitted, awaiting NDPG to appoint the Service Provider		

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER	
			Task Team to be established. Focus: Ezibeleni, Ilinge, Whittlesea and Mlungisi, RA 60 areas and, Lesseyton.						Not Achieved	depends on the appointment of the Service Provider by NDPG			
			<u>Whittlesea Development</u>	External Developers		Dependent on External Developers						External Developers	
			Construction of Mall										
			Construction of Hostels for WSU										

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Storage facilities-livestock improvement programme	MIG		% of progress made towards completion of facility	Completed facility	100%			Completed facility	LED; Technical
			Construction of a shearing shed	MIG		% of progress made towards completion of facility	Completed facility	100%			Completed facility	LED; Technical
	Low budget for maintenance and repairs of immovable and movable assets.	10%	5% of Budget to be allocated for maintenance	N/A		% progress made towards adjusting budget to allow for 5% allocation towards maintenance	5% budget allocation towards maintenance	50%	Not Achieved	budget plan was submitted to Budget and Treasury for approval	2,5% of budget allocated to maintenance. Adjustment Budget	Budget & Treasury; Community Services; Technical Services; Human Settlements

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	Rural Roads		Rehab. Of Rural Gravel Roads and SW Phase IV	MIG	1 965 352.43	No of Km rehabilitated	Rehabilitated Roads	24km			Progress Reports	Technical Services
			Qwabi Bridge over Kuzitungu River	MIG	2 816 835,21	% of bridge completed	Completed bridge	100%			Progress Reports	Technical Services
	Urban Gravel Roads		Upgrading of Lukhanji Gravel Roads and Stormwater	MIG	1 965 352.43	No of Km rehabilitated	Rehabilitated Roads	24km			Progress Reports	Technical Services
			Surfacing of Gravel Roads in Ezibeleni, Mlungisi, Ilinge and Whittlesea	MIG	5 898 499,34	% of budget spent	Funding spent	100%			Surfaced Roads	Technical Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	Stormwater	10%	Upgrading & Rehabilitation of Lukhanji Stormwater	MIG	974 284,01	% of budget spent	Funding spent	100%			Progress Reports	Technical Services
	Public Facilities		Construction of Whittlesea Cemetery	MIG	1,111 362,66	% of cemetery completed	Completed Cemetery	100%			Progress Reports	Community Services
	Community Lighting	5%	Installation of High Mast Lights		5 898 499,34 to be adjusted upwards during budget adjustment	No of High Mast erected	14 Highmast erected in 1st semester within budget, remainder after adoption of adjustment budget	100%			All budgeted lights erected	Technical Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	Disaster Housing		Repairs of houses damaged during disasters		4 014 467	% of disaster houses build/repared	Houses Repaired	%			Repaired Houses	Technical Services; Community Services
			Completion of EX TRC Creches Phase 4	OPEX	310 000	No of Creches completed	Completed creches	100%			Completed Creches	Technical Services
	Community Facilities		Construction of Ward 4 Community Hall		1,700,000.00	% progress made towards completin of hall	Hall constructed	100%			Hall functional	Technical Services
			Construction of Ward 5 Community Hall			% progress made towards completin of hall	Hall constructed	100%				Technical Services
			Upgrading of the Machibini Telecentre (specify the kind of upgrading to be done to the telecentre)			% progress made towards completin of Telecentre	Hall constructed	100%				Technical Services
			Ward 7 Community Hall			% progress made towards completion of hall	Hall constructed	100%				Technical Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
DECENT JOBS AND SUSTAINABLE LIVELIHOODS	Electricity Network needs to be upgraded	15%	Develop a business plan and apply for funding from DOE	OPEX		% of Business Plan completed	business Plan submitted for funding	100%			Council approval of Business Plan	Technical Services
			10 people employed to do inspections/ disconnections.	2011/12 BUDGET		% disconnections of suspected illegal connections	Reduction in number of illegal connections	100%			Reduction in electricity losses level	
			Replace obsolete meters			% of Obsolete meters replaced	No. of meters replaced	50%			Reports to Standing Committee	
	One Roads Unit not effective enough		Establish Second Unit	MIG (Municipal Infrastructure Grant)	R 23,000,000.00	% progress made with establishment of Unit 2	Unit 2 operational	100%	Not Achieved	Lack of funds	Operational Unit	Technical Services
			Purchase of plant for a second roads unit through the MIG Funds (Budget for the re-gravelling program).		R 23,000,000.00	% of required plant acquired	New plant purchased	100%	Not Achieved	Lack of funds	Asset Register	

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER	
	Gwatyu Farms	8%	Explore possibilities and develop plans around:-	Rural Development and Land Reform	7 000 000								
			<u>Revitalisation of Town Centre</u>	-									
			Integrated approach on CBD Development and Town Revitalisation				% Reviewal of structure plan	New Structure Plan	100%	Not Achieved		Revised Structure Plan	Human Settlements Technical Services
			1. N6, Showgrounds			OPEX				Achieved			Technical Services
			2. Construction of the Q mall		External Developers		Dependent on Developers			Achieved			Technical Services
			3. Royal Mall Developers to construct a bridge (link) from the Mall and Thobi Kula.							Achieved			Technical Services
			4. Developers to adopt Thobi Kula in their maintenance plan.							Not Achieved			Municipal Manager
			5. Office complex										Municipal Manager

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			6. Aerodrome Dev.									LED
	Socio-economic development	7%	NDPG funding : Focus on previously disadvantaged areas.	National Treasury		% of Business Plan completed	Business Plan submitted for funding	19%	Not Achieved	National Treasury has not appointed a consultant yet	Mayoral Resolution adopting plan	Technical Services Budget & Treasury; SPU; Human Settlements Community Services
		<u>Township Revitalisation programme</u>						Not Achieved	National Treasury has not appointed a consultant yet		Technical Services	
		Task Team to be established. Focus: Ezibeleni, Ilinge, Whittlesea and Mlungisi, RA 60 areas and, Lesseyton.						Not Achieved	National Treasury has not appointed a consultant yet			

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER	
			<u>Whittlesea Development</u>	External Developers		Dependent on External Developers						External Developers	
			Construction of Mall in Whittlesea										External Developer
			Construction of Hostels for WSU							Not Achieved			
			Storage facilities-livestock improvement programme	MIG	R 750,000.00	% of progress made towards completion of facility	Completed facility	100%	Achieved		Completed facility	LED; Technical	

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Construction of a shearing shed	MIG	R 574,000.00	% of progress made towards completion of facility	Completed facility	100%	Not Achieved	Delays in procurement services	Completed facility	LED; Technical
	Low budget for maintenance and repairs of immovable and movable assets.	10%	5% of Budget to be allocated for maintenance	N/A		% progress made towards adjusting budget to allow for 5% allocation towards maintenance	5% budget allocation towards maintenance	50%			2,5% of budget allocated to maintenance. Adjustment Budget	Budget & Treasury; Community Services; Technical Services; Human Settlements
Rural Roads	Rehab. Of Rural Gravel Roads and SW Phase IV		MIG	R 1,106,827.90	No of Km rehabilitated	Rehabilitated Roads	24km	Not Achieved	Plant break-downs	Progress Reports	Technical Services	
	Qwabi Bridge over Kuzitungu River		MIG	R 2,640,207.95	% of bridge completed	Completed bridge	100%	Achieved		Progress Reports	Technical Services	

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	Urban Gravel Roads		Upgrading of Lukhanji Gravel Roads and Stormwater	MIG	R 5,534,140.10	No of Km rehabilitated	Rehabilitated Roads	24km	Achieved		Progress Reports	Technical Services
			Surfacing of Gravel Roads in Ezibeleni, Mlungisi, Ilinge and Whittlesea	MIG	R 2,147,925.00	% of budget spent	Funding spent	100%	Not Achieved	The project was approved by MIG in February 2012	Surfaced Roads	Technical Services
	Stormwater	10%	Upgrading & Rehabilitation of Lukhanji Stormwater	MIG	R 1,345,659.06	% of budget spent	Funding spent	100%	Achieved		Progress Reports	Technical Services
	Public Facilities		Construction of Whittlesea Cemetery	MIG	1,111 362,66	% of cemetery completed	Completed Cemetery	100%	Not Achieved	Dispute over the identified site	Progress Reports	Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	Community Lighting	5%	Installation of High Mast Lights		R 7,990,000.00	No of High Mast erected	14 Highmast erected in 1st semester within budget, remainder after adoption of adjustment budget	100%	Not Achieved	Delays in Contract Procurement	All budgeted lights erected	Technical Services
	Disaster Housing		Repairs of houses damaged during disasters		4 014 467	% of disaster houses build/repared	Houses Repaired	%	Achieved		Repaired Houses	Technical Services; Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Completion of EX TRC Creches Phase 4	OPEX	310 000	No of Creches completed	Completed creches	100%	Achieved		Completed Creches	Technical Services
			Upgrading of the Machibini Telecentre (a new community hall was built to replace the existing telecentr)		R 426,831.74	% progress made towards completin of Telecentre	Hall constructed	100%	Not Achieved	Poor Performance by the appointed contractor		Technical Services
DECENT JOBS AND SUSTAINABLE LIVELIHOODS			Oversight Structure to be strengthened: LED and Community Services	-		Strengthening of PAC	Co-opt additional members	100%			Minutes of meetings	LED + Community Services
	Socio-economic development	7%	NDPG funding : Focus on previously disadvantaged areas.	National Treasury		% of Business Plan completed	Business Plan submitted for funding	19%			Mayoral Resolution adopting plan	Technical Services Budget & Treasury; SPU; Human Settlements Community Services
			<u>Township Revitalisation programme</u>									

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Task Team to be established. Focus: Ezibeleni, Ilinge, Whittlesea and Mlungisi, RA 60 areas and, Lesseyton.									
	Low budget for maintenance and repairs of immovable and movable assets.	10%	5% of Budget to be allocated for maintenance	N/A		% progress made towards adjusting budget to allow for 5% allocation towards maintenance	5% budget allocation towards maintenance	50%			2,5% of budget allocated to maintenance. Adjustment Budget	Budget & Treasury; Community Services; Technical Services; Human Settlements
	Public Facilities		Construction of Whittlesea Cemetery	MIG	1,111 362,66	% of cemetery completed	Completed Cemetery	100%			Progress Reports	Community Services
			Whittlesea Public Toilets	MIG	438 596,49	% of toilets completed	Completed facilities	100%	Not completed	Procurement process delayed/ Stakeholders/Engagement/Investments	Progress Reports	Community Services
			Upgrading of Dumpy Adams Swimming Pool	Dept. of Sport	0	% Swimming Pool	Completed Stadium		Not achieved		Progress Report	Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Upgrade fencing around Mlungisi Stadium	Capital budget	0	% Budget Spent	Completed Stadium	100%	Not achieved		Progress Report	Community Services
			Construction of artificial Football field at the Dumpy Adams Stadium	Fifa Africa Legacy Programme	4,5 million	% Completed	Completed Field	100%	Achieved		Field Constructed	Community Services
			EPWP Project: Cemeteries and Open Spaces	EPWP / LM	Ongoing	% Spent	Funding Spent	100%	Achieved		Progress Report	Community Services
			Upgrading of Commonage Fences	Capital Project	0	% Budget Spent	Fences Completed	100%	Not achieved. No funds available		Progress Report	Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Komani River upgrade (Two year project)	DEAT	20 000 000	40%	Project Implemented	40%	Achieved / Not Achieved	Comments Project is a 80% and ending by March 2013.	Progress Report	Community Services
			Greening Project	CHDM	2 000 000	100%	Project Implemented as per Business Plan submitted to CHDM	100%	Achieved / Not Achieved		Progress Report	Community Services
	Waste Management		Ensure that 90% of households have safe places to dispose their refuse and waste Uregent attention required to address expansion if Lukhanji Tip site		100,000.00		Expansion of Lukhanji Landfill Site	100%	Not achieved	Ongoing. Tender awarded. Contract awarded Contractor on sie	Expansion of site	Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Urgent attention required to address expansion of Lukhanji Tip Site						Not achieved.	Tender awarded Contractor on site	Tender documents Appointment letter to contractor Minutes of Bid evaluation committee	
			Waste Recycling Project at Ezibeleni	DEDEA	1,800,000	% of waste recycled	Project Launched	50%	Achieved		Analysis report Attendance register	Community Services LED
	Disaster Housing		Repairs of houses damaged during disasters		4 014 467	% of disaster houses build/repared	Houses Repaired	100%			Repaired Houses	Technical Services; Community Services

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
DECENT JOBS AND SUSTAINABLE LIVELIHOODS			2. Revitalization of the old houses in Gwatyu.			Submission of housing application			Not Achieved	Land issue not resolved		Human Settlements
	Utilisation of Commonage in Lukhanji		Draft an inventory of all the available commonages and their usage.	OPEX					Not Achieved	Inventory available limited to Queenstown TLC; SDF to be reviewed		Human Settlements
			Develop a programme: Capacitating of small scale farmers.									

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	SME Development		Human Settlements and to enforce bylaws.		OPEX	Formalisation of businesses in residential areas			achieved	Advert was placed on local newspaper for illegal users to come forward . The rezoning application was made and approved by Council for legalising the business area in town Furthermore a section of the CBD has been identified and demarcated for such activity.	Applications and approvals; List of non-compliant users; Approved tariffs	Human Settlements
			Areas not rezoned as business sites be closed.			Inspect areas for illegal activities and apply bylaws			achieved	The rezoning application made and adopted by council. The directorate has started implementing	Council resolutions; Copy of the notices issued	
			Relationship with the SMEs and Aerodrome development.									
			<u>Revitalisation of Town Centre</u>	-								

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Integrated approach on CBD Development and Town Revitalisation			% Reviewal of structure plan	New Structure Plan	100%	Not Achieved	Funding not available for the review of SDF but bilateral discussion review o the SDF will be undertaken by dept of Land Reform & Rural dev. In the Province	Revised Structure Plan	Human Settlements Technical Services
			1. N6, Showgrounds		OPEX							
			2. Construction of the Q mall	External Developers		Dependent on Developers						External Developers
			3. Royal Mall Developers to construct a bridge from the Mall and Thobi Kula.									
			4. Developers to adopt Thobi Kula in their maintenance plan.									
			5. Office complex									

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			6. Aerodrome Dev.									
	Socio-economic development	7%	NDPG funding : Focus on previously disadvantaged areas.	National Treasury		% of Business Plan completed	Business Plan submitted for funding	19%	Not achieved	awaiting for the appointment of service providers by NDPG	Mayoral Resolution adopting plan	Technical Services Budget & Treasury; SPU; Human Settlements Community Services
			<u>Township Revitalisation programme</u>						Not achieved	awaiting for the appointment of service providers by NDPG		
			Task Team to be established. Focus: Ezibeleni, Ilinge, Whittlesea and Mlungisi, RA 60 areas and, Lesseyton.						Not achieved	awaiting for the appointment of service providers by NDPG		

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			<u>Whittlesea Development</u>	External Developers		Dependent on External Developers			Not Achieved	Land issues not resolved with the Department of Roads and Public Works		External Developers
			Facilitate availability of land for the Construction of Mall						Not achieved	Land issues not resolved with the Department of Roads and Public Works		
			Facilitation of land for the Construction of Hostels for WSU						Not achieved	Land issues not resolved with the Department of Roads and Public Works		
	No serviced sites for housing in low cost and medium income.		A plan to service certain parcels of urban land to be developed for different types of housing	MIG, Department of Human Settlements and Chris Hani District Municipality.		% of plan completed	Plan in place for development of housing	100%	Achieved	Housing Sector Plan reviewed and adopted by council with the final draft IDP 2012 2017	Council resolution adopting plan	Human Settlements.

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			In cases where bulk infrastructure is not a priority in a rural setup, priority be given to those areas to develop houses.			No. of houses built in rural areas	No. of houses built in rural areas		Achieved		Actual No of Houses constructed	
	± 50 000 housing backlog		Development of a 3 - year plan for land sales	OPEX		% of plan completed	New Land Sales Plan	100%	Not Achieved	Plan ready for adoption	Housing Land Sales Plan for 2012/13	Human Settlements
	-		All post 1994 projects in need of rectification to be identified DHS. Old Mlungisi location to be made part of the rectification programme.			All houses in need of rectification identified	All houses in need of rectification identified	100%	Achieved	llinge, Ezibeleni and Whittlesea currently rectification programme is underway. Mlungisi Location still to be considered	Housing Rectification Plan adopted by Council/Mayoral Committee	
	-		All new projects be in line with BNG			% of new projects in line with BNG	New houses conforms to BNG standards	100%	achieved	proposed new township which complies with BNG requirements has been submitted to DHS	Committee progress reports	

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
	-		Explore possibility of providing houses for other income groups.			% of plan completed	New Housing Development Plan for higher income groups	100%	achieved	plan submitted for adoption and sites identified for various income groups	Housing Plan for higher income groups 2012/13	
	Housing Development		LM to be developer: Submission of application to DHS to return developer status to the municipality	OPEX		Dept. granting developer status	Submission of application	100%	achieved	awaiting for response from the province	Proof of submission; Follow ups	Human Settlements

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Development of Middle-income	External Developers		% progress made towards disposing land for development	Land place on public tender	100%	achieved	Plan ready for adoption	Developer appointed	Human Settlements
	Low budget for maintenance and repairs of immovable and movable assets.	##	5% of Budget to be allocated for maintenance	N/A		% progress made towards adjusting budget to allow for 5% allocation towards maintenance	5% budget allocation towards maintenance	50%	Not achieved	budget plan submitted to Budget and Treasury for approval	2,5% of budget allocated to maintenance. Adjustment Budget	Budget & Treasury; Community Services; Technical Services; Human Settlements
	Outdated SDF		Portion of funding held at CHDM be paid back to Lukhanji for the review of the SDF and other planning programmes.	CHDM		% of funding reimbursed by CHDM	Funding received from CHDM	100%	Not achieved	still waiting for CHDM to reimburse	Funding received	Human Settlements

CHAPTER 3

	KEY PRIORITY	WEIGHT	PROJECT/S	VOTE/SOURCE	BUDGET	KPI	INDICATOR	ANNUAL TARGET	ACHIEVED / NOT ACHIEVED	REASONS FOR NON ACHIEVEMENT	MEANS OF VERIFICATION	RESPONSIBLE MANAGER
			Solicit funding for the Housing Sector Plan and Town Planning Scheme from the DHS and DLGTA.	DLGTA		Success of application	Submission of application for funding	100%	Achieved		Grant received	
	Property Valuations		Valuations to be done every 4 years.	OPEX		% of progress towards development of plan with funding models	4 year valuation plan	100%	achieved	In preparation for new GV cycle to follow SV7	Property Valuation Plan adopted by Council	Human Settlements
			Develop new terms of reference for the appointment of new service providers (for general valuation).			% of TOR developed	Appointed new service provider	100%	Not achieved	process to begin after SV7	New Valuer appointed	

CHAPTER 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Human Resource section aim to provide suitable and qualified personnel for all Directorates, training of employees to enhance quality service delivery, maintenance of discipline and the administration of benefits for all employees. The measures taken to improve performance are the development of skills for employees, recruitment of qualified and competent staff, disciplining of deviant employees and the proper administration of benefits.

During the financial year positions such as project coordinators, electricians and financial managers and interns have been filled with competent staff members. Middle management has been trained in financial management and this will enhance governance and compliance issues within the municipality.

HUMAN RESOURCE SERVICES POLICY OBJECTIVES TAKEN FROM IDP	
Service Objectives	
1. Recruitment and Selection	Recruit skilled and competent electricians, project coordinators and financial managers in current financial year.
2. Training and Development	Councillors and Staff as especially financial management staff
3. Discipline	Maintenance of discipline to achieve a well disciplined and committed staff
4. Benefits	Provision of benefits like medical aid, Pension, etc to all staff members

4.1 Employee Totals, Turnover and Vacancies

Description	EMPLOYEES				
	Year 1		Year 0		
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	-	26.485	23.572	23.572	%
Waste Waters (Sanitation)	-	8.541	8.285	8.285	%
Electricity	25	12.355	10.254	10.254	%
Waste Management	46	14.232	13.235	13.235	%
Housing	13	6542	5.496	5.496	%
Waste Water (Stormwater Drainage)	47	5.643	5.530	5.530	%
Roads	47	5.643	5.530	5.530	%
Transport	-	5.322	4.470	4.470	%
Planning	-	1.254	1.003	1.003	%
Local Economic Development	3	2.516	2.063		%
Planning (Strategic & Regulatory)	1	12.546	10.413	10.413	%
Local Economic Development	280	2.355	2.190	2.190	%
Community & Social Services	9	4.565	3.698	3.698	%
Environmental Protection	-	5.649	4.971	4.971	%
Health	118	5.649	4.971	4.971	%
Security and Safety	30	5.649	4.971	4.971	%
Sport and Recreation	127	5.649	4.971	4.971	%
Corporate Policy Offices and Other	35	5.649	4.971	4.971	%
Totals		136.240	120.592	120.592	-

CHAPTER 4

VACANCY RATE: YEAR 0			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents No.)	*Vacancies (as a proportion of total posts in each category %)
Municipal Manager	1	0	0.00
CFO	1	0	100.00
Other S57 Managers (excluding Finance Posts)	6	0	10.00
Other S57 Manager (Finance Posts)	0	0	33.33
Police offices	0	0	25.00
Fire fighters	20	0	15.00
Senior management Levels 13 -15 (exclusive Finance Post)	23	0	20.00
Senior management Levels 13 -15 (Finance post)	4	0	33.33
Highly skilled supervision: Levels 9 -12 (excluding Finance posts)	25	0	22.86
Highly skilled supervision: levels 9 -12 (Finance posts)	8	0	12.50
Total		0	20.66

Turn-over Rate			
Details	Totals Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
Year – 2	38	15	36%
Year – 1	30	12	24%
Year - 0	45	16	20%

4.2 Policies

HR POLICIES AND PLANS				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	?		
2	Attraction and Retention	90		
3	Code of Conduct for employees	100		
4	Delegations, Authorisation & Responsibility	100		
5	Disciplinary Code and Procedures	100		
6	Essential Services	100		
7	Employee Assistance/ Wellness	?		
8	Employment Equity	100		
9	Exit Management	100		
10	Grievance Procedures	100		
11	HIV/Aids	80		
12	Human Resource and Development	100		
13	Information Technology	?		
14	Job Evaluation	100		
15	Leave	100		
16	Occupational Health and Safety	100		
17	Official Housing			
18	Official Journeys			
19	Official transport to attend Funerals	80		
20	Official Working Hours and Overtime	100		

CHAPTER 4

21	Organisational Rights	100		
22	Payroll Deductions	100		
23	Performance Management and Development	100		
24	Recruitment, Selection and Appointments	100		
25	Remuneration Scales and Allowances	100		
26	Resettlement	100		
27	Sexual Harassment	50		
28	Skills Development	100		
29	Smoking	100		
30	Special Skills	50		
31	Work Organisation			
32	Uniforms and Protective Clothing	100		
33	Other:			

4.3 Injuries, Sickness and Suspensions

NUMBER AND COST OF INJURIES ON DUTY						
Type	Injury Taken	Leave	Employees using injury leave No.	Proportion employees using sick leave %	Average injury per employee per Days	Total Estimated Cost R'000
Required basic medical attention only	45		3	6%	12	45
Temporary total disablement	3					70
Permanent Disablement						
Fatal	1					40
Total	49		3	6%	12	

NUMBER OF DAYS AND COST OF SICK LEAVE (EXCLUDING INJURIES ON DUTY)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per employees	Estimated cost
	Days	%	No.	No.	Days	R'000
Lower skilled (level 1- 2)	24	90%	10	30	0.15	
Skilled (Level 3 - 5)	24			22	0.26	
Highly skilled production (levels 6 – 8)	2			58	0.88	
Highly skilled supervision (levels 9 – 12)	62	95%	2	26	0.04	
Senior management (levels 13 – 15)	258			11	1.48	
MM and S57	17			8	0.42	
Total	181	93%	12	155	3.33	61

CHAPTER 4

NUMBER AND PERIOD OF SUSPENSIONS				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Budget Treasury Manager	Financial	08 October 2010	N/A	N/A
Accountant Expenditure	Financial	08 October 2010	N/A	N/A

DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
	AS ABOVE		

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT
<ul style="list-style-type: none"> ➤ The municipality ensures that the skills of its employees are improved, by ensuring that they participate in programmes that are in line with their work in an effort to meet/achieve of the municipality. ➤ The WSP is developed each year and is submitted to LGSETA. The SETA funds some of the programmes in a form of Discretionary/ Mandatory Grant. ➤ Employees who wish to further their studies also have an opportunity to participate in the Municipality Bursary Programme. ➤ The challenge that the Municipality has with regard to capacity development is the Budget. The Municipality does not budget enough for the training of its employees.

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0
MM and s57	Female	2	5						0	1				1
	Male	4	5						1	2		1		2
Councillors, senior officials and managers	Female	22	4			12			16	3	3		3	3
	Male	29	7			8			20	4	4		4	4
Technicians and associate professionals*	Female	1	4						2	2			2	2
	Male	14	0			19			8	9			8	9
Professionals	Female	14	8						6	6			6	6
	Male	7	6						2	2			2	2
Sub total	Female	39	19						11	12			11	12
	Male	54	22						15	17			15	17
Total				0	0			0	0				52	58

CHAPTER 4

FINANCIAL COMPETENCY DEVELOPMENT: PROGRESS REPORT*						
Description	A Total number of officials employed by municipality (Regulation 14 (4) (a) and (c))	B Total number of officials employed by municipality (Regulation 14 (4) (a) and (c))	Consolidated: Total of A and B	Consolidate: Competency assessment completed for A and B (Regulation 16 (Regulation 14 (4) (f))	Consolidate: Total of officials whose performance agreements comply with Regulation 16 (Regulation 14 (4) (f))	Consolidate: Total of officials that meet prescribed competency levels (Regulation 14 (4) (f))
Financial Officials		0	0	0	0	0
Accounting Officer	1	0	0	0	0	1
Chief financial Officer	1	0	0	0	0	1
Senior manager	4	0	0	0	0	2
Any other financial officials	?	0	0	0	0	0
Supply Chain Management Officials		0	0	0	0	0
Heads of supply chain management units	1	0	0	0	0	0
Supply chain management senior managers	1	0	0	0	1	1
Total		0	0	0	1	1

Skills Development Expenditure										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	2			100243		10	20	10	20
	Male	4					20	25	20	25
Legislators, senior officials and managers	Female	24			29866					
	Male	29								
Professionals	Female	10			53600					
	Male	6								
Technicians and associate professionals	Female	1								
	Male	5			6270					
Clerks	Female	13								
	Male	7								

CHAPTER 4

Service and sales workers	Female	17			4800				
	Male	41							
Plant and machine operators and assemblers	Female	0							
	Male	41							
Elementary occupations	Female	132							
	Male	141							
Sub total	Female								
	Male								
Total			0	0	194779	0	0	0	0

CHAPTER 5

CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 Statement on Financial Performance

EC134 Lukhanji - Table A1 Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance										
Property rates	26751	28 799	34 520	37 448	37 448	37 448	37 448	40 444	43 679	50 948
Service charges	99165	122 677	105 972	171 875	173 615	173 615	173 615	207 798	241 894	325 379
Investment revenue	2 317	4 720	6 721	2 010	2 010	2 010	2 010	2 111	2 216	2 443
Transfers recognised - operational	89742	101 391	121 847	108 945	111 512	111 512	111 512	105 749	108 420	115 199
Other own revenue	38421	61 832	64 173	78 620	77 303	77 303	77 303	83 593	87 038	94 325
Total Revenue (excluding capital transfers and contributions)	256396	319 419	333 233	398 897	401 888	401 888	401 888	439 694	483 247	588 293
Employee costs	73 288	87 062	77 415	104 136	101 187	101 187	101 187	109 243	132 512	155 902
Remuneration of councillors	9 556	11 858	11 374	14 404	14 346	14 346	14 346	18 810	19 953	22 453
Depreciation & asset impairment	9 441	-	9 285	-	-	-	-	-	-	-
Finance charges	1 258	2 011	1 610	7 590	7 600	7 600	7 600	6 965	6 034	6 573
Materials and bulk purchases	36 262	51 217	72 255	96 638	111 473	111 473	111 473	131 486	132 498	159 457
Transfers and grants	39 154	39 965	24 028	8 714	8 714	8 714	8 714	480	220	67 979
Other expenditure	82 011	104 134	70 119	167 005	156 224	156 224	156 224	172 710	192 030	175 928
Total Expenditure	250969	296 248	266 086	398 488	399 544	399 544	399 544	439 694	483 248	588 292
Surplus/(Deficit)	5 426	23 171	67 147	410	2 344	2 344	2 344	(0)	(0)	0
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	5 426	23 171	67 147	410	2 344	2 344	2 344	(0)	(0)	0
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Capital expenditure & funds sources										
Capital expenditure	140889	207 296	49 242	43 286	42 131	42 131	42 131	41 452	41 980	43 239
Transfers recognised - capital	140942	207 296	49 242	39 576	-	-	-	41 452	41 980	43 239
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	3 709	-	-	-	-	-	-
Total sources of capital funds	140942	207 296	49 242	43 286	-	-	-	41 452	41 980	43 239
Financial position										
Total current assets	147848	229 348	231 645	273 653	274 066	274 066	274 066	285 634	299 770	329 523
Total non-current assets	140942	207 296	206 710	207 296	207 296	207 296	207 296	207 296	207 296	207 296
Total current liabilities	81 126	122 208	176 814	121 812	114 413	114 413	114 413	135 780	133 894	133 893
Total noncurrent liabilities	58 283	63 386	55 715	55 093	55 093	55 093	55 093	53 106	53 106	52 490
Community wealth/Equity	149380	251 051	309 424	304 043	304 043	284 360	284 360	304 043	320 066	350 437
Cash flows										
Net cash from (used) operating	9 616	29 218	510 841	5 726	44 277	44 277	44 277	68 185	42 054	46 860
Net cash from (used) investing	(2 284)	(3 750)	3 228	-	18	18	18	(41 452)	(41 980)	(43 239)
Net cash from (used) financing	2 627	(4 696)	4 278	(5 316)	(5 316)	(5 316)	(5 316)	(5 401)	(6 403)	(13 378)
Cash/cash equivalents at the year end	47 168	67 940	586 288	74 408	112 977	112 977	112 977	36 405	30 076	20 319
Cash backing/surplus reconciliation										
Cash and investments available	47 832	74 080	108 737	75 115	75 528	75 528	75 528	84 096	83 232	112 985
Application of cash and investments	(9 575)	(613)	80 987	(45 799)	(46 607)	(46 607)	(46 607)	(113 926)	(115 736)	(110 962)
Balance - surplus (shortfall)	57 407	74 693	27 749	120 914	122 135	122 135	122 135	198 022	198 968	223 947

CHAPTER 5

Asset management										
Asset register summary (WDV)	-	140 941	207 296	72 332	59 146	59 146	41 373	41 373	38 438	46 543
Depreciation & asset impairment	9 441	-	9 285	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	14 060	16 228	16 228	18 532	18 532	18 532	20 969	20 969	23 804	27 112
Revenue cost of free services provided	-	-	-	49 511	49 511	49 511	49 511	49 511	53 782	58 570
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

5.2 Asset Management

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0	
ASSET 1	
Name	Highmast light
Description	Highmast light
Type	Infrastructure
Key Staff Involved	Electricians
Staff Responsibility	
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0	
ASSET 2	
Name	Qwabi Bridge
Description	Bridge
Type	Property Plant and Equipment
Key Staff Involved	Technical Services
Staff Responsibility	
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0	
ASSET 3	
Name	Community Hall
Description	Hall
Type	Property Plant and Equipment
Key Staff Involved	Technical Services
Staff Responsibility	

5.3 Repairs & Maintenance

REPAIRS & MAINTENANCE EXPENDITURE				
R'000				
	Original Budget	Adjustment Budget	Actual	Budget Variance
Repairs and maintenance expenditure	10 010 601	15 182 152	6 288 497	

CHAPTER 5

5.4 Liquidity Ratios

1. Liquidity

- Current Assets : Current Liabilities = 331 111 124 : 65 907 295
= 5 : 1

The favourable ratio indicates the ability to pay municipal bills.

2. Total outstanding service debtors

- Debtors/Services Revenue = 150 405 845/205 849 750
= 73%

Collections are less than the billing

3. Debt coverage

- Net Operating Income/Debtors = 72 946 800/15 040 845
= 46%

4. Cr system efficiency

- Creditors/ Credit purchases = 32 946 433/32 946 433
= 1%

5. Capital charges to operational expenditure

- Capital interest/Operating expenditure = 6 605 133/319 266 091
= 2%

Favourable ratio for interest over operational expenditure.

6. Employee cost

- Employee Cost/Operating Revenue = 106 025 691/381 596 344
= 28%

Within the National Treasury threshold of 35%

7. Repairs and Maintenance

- Repairs and maintenance/Operating expenditure = 6 288 497/319 266 091
= 2%

This percentage is low which indicates the non-maintenance of assets.

CHAPTER 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

The following pages represent the entire report of the Auditor General on the Financial Statements for the 2011/12 financial year.



Audit Report

Lukhanji Municipality

For the Year ended 30 June 2012



AUDITOR - GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE LUKHANJI LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Lukhanji Local Municipality, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, changes in net assets and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, 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 (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No.6 of 2011 as amended) (DoRa), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on 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

Property, plant and equipment

4. The municipality did not review the useful lives and residual values of property, plant and equipment at each reporting date in accordance with *GRAP 17: Property, Plant and Equipment*. I have not determined the correct net carrying amount of these assets as it was impracticable to do so. In addition, sufficient appropriate evidence was not available for the amounts disclosed as property, plant and equipment amounting to R726,3 million (2011: R710,7 million) as disclosed in note 6 and depreciation and amortisation of R15,8 million (2011: R15,3 million) as disclosed in note 25 to the financial statements. The municipality's asset register for both movable and immovable assets was incomplete as assets belonging to the municipality were not recorded. Conversely, assets per the asset register could not be located. I was unable to confirm the assets and expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments to property, plant and equipment in the financial statements were necessary.
5. Asset disposals as disclosed in note 6 to the financial statements of R95 711 (2011: nil) do not correlate to the gain on disposal of assets of R1,7 million (2011: R9,4 million) as disclosed in note 31 to the financial statements. This gain related to assets sold in previous financial years and therefore the gain on disposal was incorrectly applied to the current financial year. Due to the lack of sufficient appropriate audit evidence and controls

regarding the municipality's asset register, I have not determined the correct gain on disposal of assets as it was impracticable to do so. I was unable to confirm this income by alternative means. Consequently, I was unable to determine whether any further adjustments to the gain on disposal of assets were necessary.

Investment property

6. The municipality did not assess the fair value of all its land and buildings at each reporting date in accordance with GRAP 16: *Investment Property*. I have not determined the correct fair value of these assets as it was impracticable to do so. In addition, land and buildings have been inappropriately classified as property, plant and equipment in note 6 to the financial statements. The asset register of the municipality was incomplete as not all land and buildings that belong to the municipality had been recorded in the asset register. Sufficient appropriate evidence was not available for the amounts disclosed as investment property amounting to R91,3 million (2011: R91,3 million) as disclosed in note 8 to the financial statements. I was unable to confirm the investment property balance by alternative means. Consequently, I was unable to determine whether any adjustments relating to investment property in the financial statements were necessary.

Inventory

7. The municipality did not reclassify land used for the erection of reconstruction and development (RDP) houses as inventory at each reporting date in accordance with GRAP 12: *Inventory*. The municipality's valuation roll did not detail the land parcels on which the RDP houses had been constructed, and the value of these land parcels could therefore not be determined in the current and previous financial year. I was unable to confirm the inventory amount by alternative means. Consequently, I was unable to determine the amount required to be disclosed as inventory in the financial statements.

Accumulated surplus

8. An adjustment to the prior period surplus of R5,3 million, relating to current and prior period errors, has not been correctly allocated to the corresponding items in the financial statements and cash flow from operating activities in the cash flow statement. The surplus for the prior financial year has been incorrectly carried to the statement of net assets by the same amount. Sufficient appropriate audit evidence was not obtained to confirm the accumulated surplus balance of R1 billion (2011: R926,1 million) in the statement of changes in net assets. Furthermore, the municipality has not made adjustments to the opening balance in the statement of changes in net assets for all errors found in revenue, expenditure, employee costs, assets and liabilities in the previous financial year. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to the accumulated surplus in the financial statements were necessary.

Other receivables from exchange transactions

9. The municipality disclosed water and sanitation related transactions and account balances as an agency agreement, in terms of GRAP 9: *Revenue from Exchange Transactions*. This has been included in other receivables from exchange transactions disclosed in note 3 to the financial statements at an amount of R114 million. In terms of the service level agreement signed with the district municipality, a principal type arrangement has been agreed, which requires the municipality to separately disclose water and sanitation revenue and expenditure, water and sanitation receivables, payables, inventory and water

distribution losses in the financial statements. Due to the lack of sufficient appropriate audit evidence, I have not determined the correct amounts of these required disclosures as it was impracticable to do so. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine the amounts to be adjusted to other receivables from exchange transactions and the related revenue, expenditure, trade receivables from exchange transactions, trade payables, inventory and water distribution losses in the financial statements.

10. The municipality did not recognise the fair value of the opening balance relating to the Chris Hani Agency account in accordance with GRAP 106: *Transfer of Function*. Furthermore, the Chris Hani Agency account, as reported in the previous financial year, with an amount of R106,3 million disclosed in note 3 to the financial statements, was not supported by sufficient appropriate audit evidence. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine the amounts to be adjusted to the opening balances in other receivables from exchange transactions and the related revenue, expenditure, trade receivables from exchange transactions, trade payables and inventory in the financial statements.

Administrative costs

11. The municipality processed journal entries to account for water and sanitation expenditure in the agency account of the municipality. The amount passed created an income in the financial statements of R12,9 million (2011: R8,6 million) and a corresponding receivable in other receivables from exchange transactions of the same amount. Due to a lack of sufficient appropriate audit evidence and a lack of reconciliations performed between the district and the local municipality, the recoverability of this amount could not be determined. I was unable to confirm the amounts by alternative means. Consequently I was unable to determine whether any adjustments to administrative costs and other receivables from exchange transactions in the financial statements were necessary.

Trade receivable from exchange transactions

12. The debt impairment provision of R173,4 million (2011: R153,5 million) as disclosed in note 2 to the financial statements has not been provided for correctly in terms of the International Accounting Standard, IAS 39, *Financial Instruments: Recognition and Measurement*. It was impracticable for me to determine the extent of the misstatement. In addition, sufficient appropriate audit evidence was not available for the amounts disclosed as trade receivables from exchange transactions with a net balance of R26,6 million (2011: R20,3 million) disclosed in note 2 to the financial statements. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine whether any further adjustments to the debt impairment provision and trade receivables from exchange transactions in the financial statements were necessary.
13. Furthermore, debt impairment expenditure of R28,8 million (2011: R57,5 million) in the financial statements was not supported by adequate documentation and schedules. The write-off of debtors was not supported by adequate approvals and was not set off against the prior year debt impairment provision. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any further adjustment to debt impairment expenditure in the financial statements was necessary.

Other receivables and revenue from non-exchange transactions

14. Property rates revenue of R47,8 million (2011: R39,3 million) as disclosed in note 16 and other receivables from non-exchange transactions of R9,5 million (2011: R5,2 million) as disclosed in note 3 to the financial statements are based on the general valuation, which does not reconcile to the municipality's billing system. Furthermore, properties were captured onto the billing system at incorrect values and not all land parcels had been captured. I was unable to confirm the other receivables and revenue balances by alternative means. Consequently, I was unable to determine whether any further adjustments to other receivables and revenue in the financial statements were necessary.

Interest received (trading)

15. Interest received (trading) of R8,6 million disclosed in note 20 to the financial statements could not be traced to the municipality's billing system. Sufficient appropriate audit evidence was not provided to support journal entries processed to reconcile the interest income to the billing system. I was unable to confirm the interest income by alternative means. Consequently, I was unable to determine whether any further adjustments to interest received (trading) in the financial statements were necessary.

Revenue from exchange transactions

16. Service charges disclosed as R155,8 million (2011: R130,5 million) in note 17 to the financial statements were not supported by adequate documentation pertaining to the billing of consumers, as meter readings were not available. In addition, returned cheques for the sale of prepaid electricity were processed to a suspense account. Sufficient appropriate audit evidence and explanations were not available for differences between the financial statements and the billing system. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any further adjustments to service charges in the financial statements were necessary.
17. Receipts relating to other income of R11,9 million disclosed in note 22, rentals of facilities and equipment of R2,5 million disclosed in note 18, and fines of R380 285 in the financial statements could not be traced to the general ledger. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any further adjustments to other income, rentals of facilities as well as equipment and fines in the financial statements were necessary.

Cash and cash equivalents

18. Cash on hand amounting to R73,7 million included in cash and cash equivalents disclosed in note 1 to the financial statements does not reconcile to the bank confirmations by R33,9 million. The bank reconciliation does not reconcile to the financial statements and sufficient appropriate audit evidence for journal entries passed to cash and cash equivalents was not provided. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any further adjustments to cash and cash equivalents and related suspense accounts in the financial statements were necessary.

Employee related costs

19. Employee related costs amounting to R90,2 million (2011: R88,6 million) disclosed in note 23 to the financial statements did not reconcile to the payroll, and explanations from management could not be supported with sufficient appropriate audit evidence. Furthermore, the municipality's records pertaining to overtime, contract work, allowances, basic salaries and employee tax calculations could not be agreed to supporting documentation. I was unable to confirm employee related costs by alternative means. Consequently, I was unable to determine whether any further adjustments to employee related costs in the financial statements were necessary.

Unspent conditional grants and receipts

20. The municipality could not provide sufficient appropriate audit evidence to confirm recognised conditional grant revenue of R24,5 million and R8,1 million disclosed in notes 21.2 and 21.3, respectively, included in government grants and receipts totalling R136,9 million (2011: R155,3 million) disclosed in note 21 to the financial statements. In addition, the conditional grant revenue recognised was not inclusive of value-added tax (VAT), as required by Municipal Circular 48 issued in March 2009, and it was impracticable for me to determine the extent of the understatement.
21. Furthermore, sufficient appropriate audit evidence was not obtained regarding unspent conditional grants and receipts totalling R16,3 million (2011: R15,5 million) disclosed in note 12 to the financial statements. I was also not able to determine whether conditional grants had been utilised for their intended purpose, which could have resulted in unauthorised expenditure. I was not able to confirm the income, expenditure and unspent conditional grant balance by alternative means.
22. Due to the matters above I was unable to determine whether any adjustments to unspent conditional grants and receipts, government grants and subsidies as well as expenditure on conditional grants and subsidies in the financial statements were necessary.

Subsequent events

23. The municipality received a letter after year-end from the National Treasury regarding the repayment of R4,8 million relating to the prior year's unspent conditional grants as disclosed in note 12 to the financial statements. This amount has not been disclosed by the municipality as an adjusting subsequent event. Consequently, unspent conditional grants and receipts are overstated by R4,8 million and other creditors are understated by the same amount.

Capital commitments

24. The municipality did not have a contract management system for the identification and recognition of contracted commitments. Sufficient appropriate audit evidence was not available for the commitments of R16 million disclosed in note 41 to the financial statements. I was unable to confirm this disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to the commitments disclosure note were necessary.

Trade and other payables from exchange transactions

25. The municipality did not have a system in place to account for all trade creditors and supplier statements were not reconciled to the general ledger. In addition, sufficient appropriate audit evidence could not be provided relating to outstanding cheques in the bank reconciliation. Furthermore, an adjustment to the prior year balance of R4,7 million was made to the corresponding amount and no supporting documentation was provided for audit purposes in this respect. It was impracticable to determine the extent of the misstatement in trade creditors of R8.5 million, as included in trade and other payables, disclosed in note 9 to the financial statements. I was unable to confirm trade creditors by alternative means. Consequently, I was unable to determine whether any further adjustment to trade creditors in the financial statements was necessary.
26. The municipality did not provide explanations and sufficient appropriate audit evidence in support of advance payments: debtors of R8,9 million (2011: R4,7 million), included in trade and other payables from exchange transactions, as disclosed in note 9 to the financial statements. I was unable to confirm the advance payments balance by alternative means. Consequently, I was unable to determine whether any adjustment to the advance payments balances in the financial statements was necessary.
27. Leave pay of R11,9 million (2011: R10,2 million), included in trade and other payables from exchange transactions as disclosed in note 9 to the financial statements has been calculated using incorrect leave days. The employee files are not updated with leave records. I have not determined the correct amount of leave pay as it was impracticable to do so. I was unable to confirm the leave pay balance by alternative means. Consequently, I was unable to determine whether any further adjustments to the leave pay balance and employee related costs in the financial statements were necessary.
28. A supporting schedule for other creditors of R386 074 (2011: R5,6 million) included in trade and other payables from exchange transactions, as disclosed in note 9 to the financial statements, was not submitted for auditing. I was unable to confirm the other creditors balance by alternative means. Consequently, I was unable to determine whether any further adjustments to other creditors in the financial statements were necessary.

Irregular expenditure

29. The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d) of the MFMA. The irregular expenditure disclosed in note 38.3 to the financial statements is understated in respect of amounts incurred during the year that were identified during the audit process of R16 million (2011: R6,1 million). Due to the lack of systems and sufficient appropriate audit evidence for all awards and employee related costs, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R3,5 million (2011: R37,7 million). I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure in the financial statements.

Value-added tax

30. The municipality is registered with the South African Revenue Service (SARS) on the payment basis, but accounted for VAT on the accrual basis in terms of section 15(2) of the Value Added Tax Act of South Africa, 1991 (Act No. 89 of 1991). Furthermore, the municipality did not claim VAT back on all vatable supplies. The amounts owing to SARS at year-end to the amount of R2,4 million as disclosed note 11 to the financial statements are hence overstated by R7,3 million and expenditure is overstated by the same amount. In addition, sufficient appropriate audit evidence was not obtained for revenue, expenditure and asset additions and it is therefore impracticable to determine the full extent of the misstatement. I was unable to confirm the payable balance by alternative means. Consequently, I was unable to determine whether any further adjustments to the VAT payable in the financial statements were necessary.
31. During the prior year audit, I was unable to obtain sufficient appropriate audit evidence for the VAT receivable amount of R1,5 million as disclosed in note 11 to the financial statements. I was unable to confirm the prior year VAT receivable balance by alternative means. Consequently, I was unable to determine whether any adjustments to the VAT receivable opening balance in the financial statements were necessary.

Disclaimer of opinion

32. 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 of an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

33. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

34. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered only during the current financial year.

Material losses

35. As disclosed in note 39 to the financial statements, the municipality incurred estimated electricity distribution losses of 42% (2011: 31%).

Additional matters

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

37. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Withdrawal from the audit engagement

38. The numerous misstatements identified in the financial statements are indicative of significant fraud, which calls into question the reliability of the evidence obtained and the genuineness of the accounting records and documentation. But for the legislated requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of the ISAs.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

39. 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

40. I performed procedures to obtain evidence about the usefulness and reliability of the information in the performance report as set out on pages ... to ... of the annual report.
41. 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 key priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
42. The reliability of the information in respect of the selected key priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
43. The material findings are as follows:

Usefulness of information

44. None (100%) of the improvement measures in the annual performance report were explained as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to the municipality not having a functioning performance management system.
45. 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 54% of the reported objectives were not consistent with the objectives as per the approved integrated development plan. This was due to the lack of a performance management system to monitor actual results against planned objectives.
46. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 96% of the targets relevant to all the key priorities of the municipality were not specific in clearly identifying the nature and the required level of performance. This was due to the absence of a performance

management system and a lack of understanding the requirements of the FMPPI.

47. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 99% of the targets relevant to all the key priorities of the municipality. This was due to the absence of a performance management system and a lack of understanding the requirements of the FMPPI.
48. The FMPPI requires that the time period or deadline for delivery be specified. A total of 96% of the targets relevant to all the key priorities of the municipality were not time bound in specifying a time period or deadline for delivery. This was due to the absence of a performance management system and a lack of understanding the requirements of the FMPPI.
49. The FMPPI requires that indicators should have clear, unambiguous data definitions so that data can be collected consistently and is easy to understand and use. A total of 89% of the indicators relevant to all the key priorities of the municipality were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the absence of a performance management system and a lack of understanding the requirements of the FMPPI.
50. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 89% of the indicators relevant to all the key priorities of the municipality were not verifiable in that valid processes and systems that produced the information on actual performance did not exist. This was due to the absence of a performance management system and a lack of understanding the requirements of the FMPPI.

Reliability of information

51. The FMPPI requires that processes and systems that produce the indicator should be verifiable, accurate enough for its intended use and respond to changes in the level of performance; and that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity, accuracy and completeness of the actual reported performance relevant to all key priorities of the municipality. This was due to limitations placed on the scope of my work due to the absence of a performance management system and management's lack of understanding the requirements of the FMPPI.

Additional matter

52. 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

53. Only 10% of the planned targets were achieved during the year under review. This was due to the fact that indicators and targets were not suitably developed during the strategic planning process and the budget was not aligned to the integrated development plan. In addition, there was a lack of review and monitoring in respect of performance reporting

Compliance with laws and regulations

54. 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:

Strategic planning and performance management

55. The municipality did not establish a performance management system, as required by section 38(a) of the MSA and Municipal Planning and Performance Management Regulation 7(2)(c), (e), (f) and (g).
56. The municipality did not perform, or did not implement, the following in respect of performance management:
- Set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan.
 - Monitor performance with regard to each of those development priorities and objectives and against the key performance indicators and targets set.
 - Measure and review performance at least once per year with regard to each of those development priorities and objectives and against the key performance indicators and targets set.
 - Take steps to improve performance with regard to those development priorities and objectives where performance targets were not met, as required by section 41 of the MSA.

Budgets

57. The accounting officer did not assess the performance of the municipality for the first half of the financial year, as required by section 72(1) of the MFMA.

Annual financial statements, performance report and annual report

58. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of audit opinion.
59. The annual performance report for the year under review did not include the names of external service providers and measures taken to improve performance, as required by section 46(1)(a) and (c) of the MSA.

Audit committee

60. The audit committee was not fully constituted for the entire financial year, as required by section 166(4)(a) of the MFMA, as there were only two members instead of the required three. The third member was appointed at the end of the financial year and did not attend any meetings.

61. The minutes of audit committee meetings did not adequately reflect the discussions held at the meetings and no other appropriate audit evidence was submitted to confirm whether the audit committee had discharged its duties in terms of the following:
- Internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
 - Advising the municipality on the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
 - Advising the municipality on compliance with the MFMA, DoRA and other applicable legislation, as required by section 166(2)(a)(vii) of the MFMA.
 - Responses to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
62. A performance audit committee was not in place and the audit committee established in terms of section 166(1) of the MFMA was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).

Internal audit

63. The internal audit unit did not function as required by section 165(2) of the MFMA, and the following deficiencies were noted:
- The risk-based audit plan was only approved in March 2012. The internal audit programme was not fully implemented and the risks identified per the internal audit plan were not adequately covered by the internal audits conducted.
 - Only three of the internal audits conducted during the year were finalised during the year.
 - As only three internal audit reports were finalised during the year, the internal audit unit was ineffective in advising the accounting officer and reporting to the audit committee on matters relating to internal controls, accounting procedures and practices as well as risk management.

Expenditure management

64. 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.
65. An adequate management, accounting and information system was not in place to recognise expenditure when it was incurred and to account for creditors and payments made, as required by section 65(2)(b) of the MFMA.
66. The accounting officer did not take effective steps to prevent fruitless and wasteful as well as irregular expenditure, as required by section 62(1)(d) of the MFMA
67. Irregular as well as fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

Conditional grants received

68. The municipality was unable to provide sufficient appropriate audit evidence regarding

compliance with conditional grants received as follows:

- The municipality did not submit quarterly performance reports to the transferring national officer, the Eastern Cape Provincial Treasury and the National Treasury within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
 - The municipality did not evaluate its performance in respect of programmes funded by the allocation and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of DoRA.
 - The municipality could not confirm that the allocations for the municipal infrastructure grant, integrated national electrification programme grant, local government financial management grant and municipal systems improvement grant were not utilised for purposes other than those stipulated in the grant framework, in contravention of section 15(1) of DoRA.
 - The municipality did not submit timely project registration forms for projects it intended implementing in the financial year under review to the Department of Local Government, as required by the DoRA Framework issued in Gazette No. 34280.
 - The municipality did not submit its signed activity plan in the prescribed format to the Department of Cooperative Governance and Traditional Affairs (CoGTA), as required by the DoRA Framework issued Gazette No. 34280.
69. The following instances of non-compliance with the DoRA Framework issued in Gazette No. 34280 were identified:
- The municipality did not submit project implementation plans to CoGTA.
 - The municipality did not register its master plans for bulk infrastructure with the integrated national electrification programme.
 - Projects were not implemented in line with the details contained in the integrated development plan.

Revenue management

70. A tariff policy on the levying of fees for municipal services provided by the municipality was not implemented, as required by section 74(1) of the MSA and section 62(1)(f)(i) of the MFMA.
71. A credit control and debt collection policy was not maintained, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
72. An adequate management, accounting and information system was not in place to recognise revenue when it was earned and to account for debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.
73. Revenue received was not always reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

Asset management

74. An adequate management, accounting and information system that accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

75. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
76. The municipality did not comply with Municipal Investment Regulation 9(1) (GNR.308 of 1 April 2005) as follows:
- The accounting officer, within 10 working days of the end of each month, did not submit to the mayor a report describing, in accordance with generally recognised accounting practice, the investment portfolio at the end of the month.
 - The investment portfolio was not monitored on a regular basis to assess whether the investments that no longer had the minimum acceptable credit rating needed to be liquidated as specified in its investments policy.

Liability management

77. A management, accounting and information system that adequately accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
78. 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.

Procurement and contract management

79. Sufficient appropriate audit evidence was not provided relating to procurement and contract management and therefore I could not determine whether the municipality had complied with the following:
- Goods and services with a transaction value below R200 000 were procured by means of obtaining the required price quotations, as required by Supply Chain Management (SCM) Regulation 17(a) and (c).
 - Quotations were accepted from prospective providers who were registered on the list of accredited prospective providers and meet the listing requirements prescribed by the SCM policy, as required by SCM Regulations 16(b) and 17(b).
 - Goods and services with a transaction value above R500 000 were procured by means of inviting competitive bids and that the accounting officer only approved deviations if it was impractical to invite competitive bids, as required by SCM Regulation 19(a).
 - Bid specifications for the procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM Regulation 27(2)(a).
 - Bid specifications were drafted by bid specification committees composed of one or more officials of the municipality, as required by SCM Regulation 27(3).
 - Invitations for competitive bidding were advertised for the required minimum period, as required by SCM Regulation 22(1) and (2).
 - Bids were 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).

- Contracts and quotations were awarded to bidders based on points given for criteria that had been stipulated in the original invitation for bidding and quotations, as required by SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
 - Bid adjudication was always done by committees composed in accordance with SCM Regulation 29(2).
 - Awards were not 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).
 - The preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, (Act No. 5 of 2000) (PPPFA) and SCM Regulation 28(1)(a).
 - Contracts and quotations were awarded to suppliers based on preference points that had been allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
 - Contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1)(f) of the PPPFA.
 - Contracts were only 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.
 - Extensions or modifications to contracts were approved by a properly delegated official, as required by SCM Regulation 5.
 - Contract and quotations were awarded only to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.
 - Contracts and quotations were awarded only to bidders who had submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
80. The performance of contractors and providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
81. 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.
82. Awards were made to providers who are persons in the service of other state institutions or whose directors are persons in the service of other state institutions, in contravention of SCM Regulation 44. Similar awards were identified in the prior year and no effective steps had been taken to prevent or combat the abuse of the SCM process in accordance with SCM Regulation 38(1).

Human resource management

83. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) of the MSA.

84. Appointments were made in posts that were not provided for on the approved staff establishment of the municipality, in contravention of section 66(3) of the MSA.
85. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by Municipal Regulation on Minimum Competency Levels 14(2)(b).
86. Sufficient appropriate audit evidence was not obtained regarding the municipality's prompt assessment of the competencies of financial and SCM officials in order to identify and address gaps in competency levels, as required by Municipal Regulation on Minimum Competency Levels 13.
87. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and the relevant provincial treasury, as required by the Municipal Regulation on Minimum Competency Levels 14(2)(a).

Internal control

88. I considered internal control relevant to my audit of the financial statements, 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 performance report and the findings on compliance with laws and regulations included in this report.

Leadership

89. The leadership did not take full ownership of the internal control environment and did not insist on daily disciplines to ensure efficiency and effectiveness in financial management, service delivery execution and compliance with laws and regulations, thus not setting the correct tone for the credibility of all reports of the administration.
90. There was inadequate oversight by management due to a lack of regular reviews by management on monthly reporting. Certain staff members within the finance department did not understand the applicable financial reporting framework and there was also a lack of capacity at management level within the municipality.
91. The policies and procedures relating to human resource management, as well as an unsuitable organogram, rendered human resource management ineffective. Adequate and sufficiently skilled resources were not in place and the performance of municipal officials was not monitored by those charged with governance and leadership.
92. The established and communicated policies and procedures of the municipality were outdated and did not adequately support the municipality in complying with laws, regulations and reporting requirements of GRAP.
93. Although the municipality had developed an audit action plan, it was not monitored by the leadership to ensure that management was addressing internal control deficiencies.
94. An information technology (IT) governance framework was not established to support and enable the business, deliver value and improve performance.

Financial and performance management

95. Proper record keeping was not maintained by the municipality and this resulted in information that could not be confirmed as being credible. Information supporting financial and performance reporting was not available for auditing and, when it was, it was incomplete or did not support the information disclosed in the financial statements and the performance report.
96. The municipality's controls over daily and monthly processing and reconciling of transactions were non-existent. Reconciliations were performed for external audit purposes and not for management's monitoring and decision-making purposes. No reliance could be placed on the reconciliations performed by management.
97. Reliable information did not support the financial and performance reports prepared by the municipality. The municipality did not institute regular processes of collecting, collating and reporting on credible information, which could assist with decision-making and the direction of the municipality's financial and performance objectives.
98. Compliance with laws and regulations was not monitored and reviewed by management on a consistent basis throughout the year. Compliance reports could not be provided for audit purposes.
99. The municipality did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information. This was evidenced by the lack of reconciliations between the IT system-generated reports and the amounts disclosed in the financial statements.

Governance

100. The municipality had a risk management strategy, but it had not been implemented and monitored by the municipality. In addition, IT risks and fraud prevention were not focus areas in the risk assessment performed by the municipality.
101. The reports issued by the internal audit function were not adequately addressed by management, which resulted in repeat internal and external audit findings. The internal audit plan was only approved in March 2012 and the internal audit unit finalised only three internal audit reports for the year.
102. As a result of the impaired functioning of the internal audit function, the audit committee could not effectively evaluate and monitor responses to risks and provide oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

OTHER REPORTS

Investigations

103. The following investigations relating to the municipality are in progress or have been completed:
 - An investigation into the unauthorised transfer of funds was finalised during the year and suspended employees were cleared of wrongdoing and reinstated by the municipality. Further investigations are being carried out by the South African Police Service.

- An internal investigation into the manipulation of wages paid during the financial year was completed after the end of the financial year. The employee involved was subsequently dismissed.

Auditor - General

East London

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 6

COMPONENT B: AUDIT ACTION PLAN

LUKHANJI MUNICIPALITY 2011/12 AUDIT ACTION PLAN

No	Issues	Finding	Root Cause	Action Plan	Responsible	Timeframe
1	Property, Plant and Equipment	The Municipality did not review the useful lives and residual values of Property, Plant and Equipment at each reporting date in accordance with GRAP 17: <i>Property, Plant and Equipment</i> .	Non existence of the asset management unit	Source services of a professional valuer to value the assets	Asset Management officer (Mrs B gantsho)	31 May 2013
		Interest received (trading) of R8.6 million disclosed in note 20 to the financial statements could not be traced to the municipality's billing system. Sufficient appropriate audit evidence was not provided to support journal entries processed to reconcile	Lack of review and accompanying supporting documents for journals	Journals to be processed once per month. All journals to be reviewed and approved by the CFO before capturing on the system.	CFO (Ms L Ngeno)	Monthly

CHAPTER 6

2	Investment Property	<p>The Municipality did not assess the fair values of all its land and buildings at each reporting date in accordance with GRAP 16: <i>Investment Property</i>. In additionn, Land and buildings have been inappropriately classified as Property, Plant and Equipment in note 6 to the financial statements. The asset register of the municipality was incomplete as not all the land and buildings belonging to the municipality had been recorded in the asset register. Sufficient appropriate audit evidence was not available for the amounts disclosed as Investment property amounting to R91,3 million (2011: 91,3 million) as disclosed in note 8 to the financial statements.</p>	Non existence of the asset management unit	<ol style="list-style-type: none"> 1. Source services of a professional valuer to value the assets. 2. Human Settlement Department of Lukhanji municipality to provide BTO with a list of all municipal properties also to verify the existing list on the asset register. 	Asset Management officer (Mrs B gantsho)	31 May 2013
---	---------------------	---	--	--	--	-------------

CHAPTER 6

3	Inventory	<p>The Municipality did not reclassify land used for erection of reconstruction and development (RDP) houses as inventory at each reporting date in accordance with GRAP 12: <i>Inventory</i>. The municipality's valuation roll did not detail the land parcels on which the RDP houses had been constructed, and the value of these land parcels could therefore not be determined in the current and previous financial years.</p>	Inadequate information	<p>1. Human Settlement Department of Lukhanji municipality to provide BTO with a list of all municipal land parcels on which RDP houses had been constructed.</p>	Asset Management officer (Mrs B gantsho)	31 March 2013
4	Accumulated surplus	<p>An adjustment to the prior period surplus of R5,3 million, relating to current and prior period errors, has not been correctly allocated to the corresponding items in the financial statements and cash flow from operating activities in the cash flow statement. The surplus for the prior financial has been incorrectly carried to the statement of net assets by the same amount. Sufficient appropriate audit</p>	Error	<p>Correction of the prior year error and restate the financial statements</p>	CFO (Ms L Ngeno)	30 June 2013

CHAPTER 6

		evidence was not obtained to confirm the accumulated surplus balance of R1 Billion (2011; R926.1 million) in the statement of changes in net assets. Furthermore, the municipality has not made adjustments to the opening balance in the statement of changes in net assets for all errors found in revenue, expenditure, employee costs, assets and liabilities in the previous financial year.				
5	Other receivables from exchange transactions	The municipality disclosed water and sanitation related transactions and accounts balances as an agency agreement, in terms of GRAP 9: <i>Revenue from Exchange Transactions</i> . This has been included in other receivables from exchange transactions disclosed in note 3 to the financial statements at an amount of R114 million. In terms of the service level agreement signed	Incorrect treatment	Water and Sanitation will be disclosed as revenue from exchange transactions	CFO (Ms L Ngeno)	30 June 2013

CHAPTER 6

		<p>with the district municipality, a principal type arrangement has been agreed, which requires the municipality to separately disclose water and sanitation revenue and expenditure, water and sanitation receivables, payables, inventory and water distribution losses in the financial statements. Due to the lack of sufficient appropriate audit evidence, I have not determined the correct amounts of these required disclosures as it was impracticable to do so.</p>				
		<p>The municipality did not recognise the fair value of the opening balance relating to the Chris Hani Agency account in accordance with GRAP 106: <i>Transfers of Function</i>. Furthermore, Chris Hani Agency account, as reported in the previous financial year, with an amount of R106,3 million disclosed in</p>	<p>Lack of addressing prior year audit issues</p>	<p>Correction of the prior year error and restate the financial statements</p>	<p>CFO (Ms L Ngeno)</p>	<p>30 June 2013</p>

CHAPTER 6

		<p>note 3 to the financial statements, was not supported by sufficient appropriate audit evidence. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine the amounts to be adjusted to the opening balances in the other receivables from Exchange transactions and the related revenue, expenditure, trade receivables from exchange transactions, trade payables and inventory in the financial statements.</p>				
7	Administrative Costs	<p>The municipality processed journal entries to account for water and sanitation expenditure in the agency account of the municipality. The amount passed created an income in the financial statements of R12,9 million (2011: R8,6 million) and a corresponding receivable in other receivables from exchange transactions of the</p>	Incorrect treatment	Revise the treatment of the water and sanitation income		

CHAPTER 6

		<p>same amount. Due to lack of sufficient appropriate audit evidence and a lack of reconciliations performed between the district and the local municipality, the recoverability of this amount could not be determined. Consequently I was unable to determine whether any adjustments to administrative costs and other receivables from exchange transactions in the financial statements were necessary.</p>				
8	Trade receivable from exchange transactions	<p>The debt impairment provision of R173,4 million (2011: 153.5 million) as disclosed in note 2 to the financial statements has not been provided for correctly in terms of the international Accounting Standard, IAS39, <i>Financial Instruments: Recognition and Measurement</i>. It was impracticable for me to determine the extent of the misstatement. In addition, sufficient</p>	Non compliance	Develop the provision of the write off policy	CFO (Ms L Ngeno)	

CHAPTER 6

		<p>appropriate audit evidence was not available for the amount disclosed as trade receivables from exchange transactions with a net balance of R26.6 million (2011: R20,3 million) disclosed in note 2 to the financial statements. Consequently, I was unable to determine whether any further adjustments to debt impairment expenditure in the financial statements was necessary.</p>				
		<p>Furthermore, debt impairment expenditure of R28,8 million (2011: R57,5 million) in the financial statements was not supported by adequate documentation and schedules. The write-off of debtors was not supported by adequate approvals and was not set off against the prior year debt impairment provision. I was unable to confirm the expenditure by alternative means.</p>	<p>Lack of supporting document</p>	<p>Write off forms to be checked, verified and approved by the delegated officials per the write off policy, then filed in a storeroom.</p>	<p>Credit Control Officer - Mr X Maqula</p>	<p>Ongoing</p>

CHAPTER 6

9	Other receivables and revenue from non-exchange transactions	Property rates revenue of R47,8 million (2011: R39,3 million) as disclosed in note 16 and other receivables from non-exchange transactions of R9.5 million (2011: R5.2 million) as disclosed in note 3 to the financial statements are based on the general valuation, which does not reconcile to the municipality's billing system. Furthermore, properties were captured onto the billing system at incorrect values and not all land parcels had been captured.	Non performance of rates reconciliations	Reconcile SV 6 to the billing system. Reconcile GV and prior SV's to the billing system	Manager Revenue - Ms V Van Wyk	30 June 2013
10	Interest received (Trading)	Interest received (trading) of R8.6 million disclosed in note 20 to the financial statements could not be traced to the municipality's billing system. Sufficient appropriate audit evidence was not provided to support journal entries processed to reconcile the interest income to the billing system. Consequently, I was	Lack of supporting document	Print BM 10 (interest raising) and filed on monthly basis. Journals to be processed once per month. All journals to be reviewed and approved by the CFO before capturing on the system.	Manager Revenue - Ms V Van Wyk	Monthly

CHAPTER 6

		unable to determine whether any further adjustments to interest received (trading) in the financial statements were necessary.				
11	Revenue from exchange transactions	Services charges disclosed as R155.8 million (2011: 130.5 million) in note 17 to the financial statements were not supported by adequate documentation pertaining to the billing of consumers, as meter readings were not available. In addition, returned cheques for the sale of prepaid electricity were processed to a suspense account. Sufficient appropriate audit evidence and explanations were not available for differences between the financial statements and the billing system.	Lack of monitoring and review	Issue notice to the public informing of terminating electricity sale through cheque	Senior Billing Clerk (A Jordaan)	31 January 2013

CHAPTER 6

		<p>Receipts relating to other income of R11.9 million disclosed in note 22, rentals of facilities and equipment of R 2.5 million disclosed in note 18, and fines of R380 285 in the financial statements could not be traced to the general ledger.</p> <p>Consequently, I was unable to determine where any further adjustments to other income, rentals of facilities as well equipment and fines in the financial statements were necessary.</p>	Decentralised filling	Centralised filling supporting documents at BTO	Senior Billing Clerk (A Jordaan)	31 January 2013
12	Cash and cash equivalents	<p>Cash on hand amounting to R73.7 million included in cash and cash equivalents disclosed in note 1 to the financial statements does not reconcile to the bank confirmation by R33.9 million. The bank reconciliation does not reconcile to the financial statements and sufficient appropriate audit evidence for journal entries passed to cash and cash equivalents</p>	Delays in sytem closure and clearing of suspense account	Change payment due date. Clear suspense account	Expenditure Manager	Monthly

CHAPTER 6

		<p>was not provided. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any further adjustments to cash and cash equivalents and related suspense accounts in the financial statements were necessary.</p>				
13	Employee related costs	<p>Employee related costs amounting to R90.2 million (2011: R88.6 million) disclosed in note 23 to the financial statements did not reconcile to the payroll, and explanations from management could not be supported with sufficient appropriate audit evidence. Furthermore, the municipality's records pertaining to overtime, contract work, allowances, basic salaries and employee tax calculations could not be agreed to supporting documentation.</p>				

CHAPTER 6

15	Unspent conditional grants and receipts	<p>The municipality could not provide sufficient appropriate audit evidence to confirm recognised conditional grants revenue of R24,5 million and R8,1 million disclosed in note 21.2 and 21.3 respectively, included in government grants and receipts totalling R136.9 million (2011: R155.3 million) disclosed in note 21 to the financial statements. In addition, the conditional grant revenue recognised was not inclusive of value-added-tax (VAT), as required by the Municipality Circular 48 issued in March 2009, and it was impracticable for me to determine the extent of the understatement.</p>	Lack of monitoring and review	Prepare grants reconciliations	Monthly	Expenditure manager
		<p>Furthermore, sufficient appropriate audit evidence was not obtained regarding unspent conditional grants and receipts totalling R16,3 million (2011: R15.5 million) disclosed in note 12</p>	Lack of monitoring and review	Prepare grants reconciliations	Monthly	Expenditure manager

CHAPTER 6

		to the financial statements. I was also not able to determine whether conditional grants had been utilised for their intended purpose, which could have resulted in unauthorised expenditure. I was not able to confirm the income, expenditure and unspent conditional grants and subsidies in the financial statements.				
		Due to the matters above I was unable to determine whether any adjustments to unspent conditional grants and receipts, government grants and subsidies as well as expenditure on conditional grants and subsidies in the financial statements were necessary.	Lack of monitoring and review	Prepare grants reconciliations	Monthly	Expenditure manager
16	Subsequent events	The municipality received a letter after year-end from the National Treasury regarding the repayment of R4.8 million relating to the prior year's unspent conditional grants as disclosed in note 12 to the financial statements. This	Lack of procedures to identify subsequent events	Develop procedures to identify subsequent events	31 July 2013	CFO (Ms L Ngeno)

CHAPTER 6

		amount has not been disclosed by the municipality as an adjusting subsequent event. Consequently, unspent conditional grants and receipts are overstated by R4.8 million and other creditors are understated by the same amount.				
17	Capital commitments	The municipality did not have a contract management system for the identification and recognition of contracted commitments. Sufficient appropriate audit evidence was not available for the commitments of R16 million disclosed in note 41 to the financial statements. I was unable to confirm this disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to the commitments disclosure note were necessary.	Unexistence of contract management system	Employ contract management officer	31 March 2013	SCM Manager (Mr A Nuku)

CHAPTER 6

18	Trade and other payables from exchange transactions	<p>The municipality does not have a system in place to account for all trade creditors and supplier statements were not reconciled to the general ledger. In addition, sufficient appropriate audit evidence could not be provided relating to outstanding cheques in the bank reconciliation. Furthermore, an adjustment to the prior year balance of R4.7 million was made to the corresponding amount and no supporting documentation was provided for audit purposes in this respect. It was impracticable to determine the extent of the misstatement in trade creditors of R8.5 million, as included in traded and other payables, disclosed in note 9 to the financial statements.</p>	Incorrect accounting treatment	Correct settings on the system	31 January 2013	Creditors Clerk (Mr R Davids)
----	---	---	--------------------------------	--------------------------------	-----------------	-------------------------------

CHAPTER 6

		<p>The municipality did not provide explanations and sufficient appropriate audit evidence in support of advance payments: Debtors of R8.9 million (2011:R4.7 million), included in trade and other payables from exchange transactions, as disclosed in note 9 to the financial statements. I was unable to confirm the advanced payments balance by alternative means.</p>	<p>Lack of monitoring and review</p>	<p>Trace existing advance payments for supporting documents. Prepare supporting document for advance payments</p>	<p>31 January 2013</p>	<p>Billing Clerk (Ms A Jordaan)</p>
		<p>Leave pay of R11.9 million(2011: R10,2 million), included in trade and other payables from exchange transactions as disclosed in note 9 to the financial statements has been calculated using incorrect leave days. The employee files are not updated with leave records. I have not determined the correct amount of leave pay as it was impracticable to do so.</p>				

CHAPTER 6

		A supporting schedule for other creditors of R386 074 (2011: R5,6 million), included in trade and other payables from exchange transactions, as disclosed in note 9 to the financial statement, was not submitted for auditing.	Lack of monitoring and review	Prepare supporting document for advance payments	31 January 2013	Creditors Clerk (Mr R Davids)
	Irregular expenditure	The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d) of the MFMA. The irregular expenditure disclosed in note 38.3 to the financial statements is understated in respect of amount incurred during the year that were identified during the audit process of R16 million (2011: R6,1 million). Due to the lack of systems and sufficient appropriate audit evidence for all awards and employee related costs, it was impracticable to determine the full	Non compliance	Prepare the irregular expenditure register	Monthly	SCM Manager (Mr A Nuku)

CHAPTER 6

		extent of the understatement of irregular expenditure disclosed at R3.5 million (2011: 37.7 million).				
	Value-Added tax	The municipality is registered with the South African Revenue Service (SARS) on the payment basis, but accounted for VAT on the accrual basis in terms of section 15(3) of the Value Added Tax Act of South Africa, 1991 (Act No. 89 of 1991). Furthermore, the municipality did not claim VAT back on all vatable supplies. The amounts owing to SARS at year-end to the amount of R2,4 million as disclosed note 11 to the financial statements are hence overstated by R7,3 million and expenditure is overstated by the same amount. In addition, sufficient	Non preparation of VAT reconciliations	Prepare VAT reconciliations	Monthly	Expenditure Accountant

CHAPTER 6

		appropriate audit evidence was not obtained for revenue, expenditure and asset additions and it is therefore impracticable to determine the full extent of the misstatement.				
		During the prior year audit, I was unable to obtain sufficient appropriate audit evidence for the VAT receivable amount of R1,5 million as disclosed in note 11 to the financial statements. I was unable to confirm the year VAT receivable balance by alternative means.	Non preparation of VAT reconciliations	Prepare VAT reconciliations	Monthly	Expenditure Accountant

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	% Council Meetings Attendance	% Apologies for non-attendance
	FT/PT			%	%
BLEKIWE, MXOLISI VICTOR	PT	COMM SERV	ANC	80%	100%
BOKUVA, ARCHIBALD VUKILE	PT	HUM. SETT	ANC	80%	90%
DAYIMANI, FUZILE MATTHEWS	PT	TECH SERV	ANC	90%	100%
DE WET, JOHANNES CHRISTOFFEL	PT	FINANCE	DA	100%	-
DUDA, FLORENCE NOMVUYO	PT	COMM SERV	ANC	100%	-
DYAN, MZWANDILE LAWRENCE	PT	TECH SERV	ANC	100%	-
DYANTYI, SINETHEMBA REGINALD	PT	FINANCE	ANC	90%	100%
DYWILI, ZAMUXOLO AUGUSTINE	PT	ADMIN & HR	ANC	100%	-
GAJU, SIYABULELA LAWRENCE	PT	FINANCE	ANC	80%	100%
GUNGUBELE, MNCEDISI WASHINGTON	PT		TRADITIONAL LEADER	70%	-
GWANTSHU, MZUKISI ZAKHELE	FT	COMM SERV	ANC	90%	100%
GXABA, THEOPHYLUS MLANCELI	PT	TECH SERV	ANC	100%	-
HEBE, MATATA	PT		TRADITIONAL LEADER	40%	80%
HEBE, ORIEN BENNLOW	PT		TRADITIONAL LEADER	70%	-
HEBE, SIMON VIWE	PT		TRADITIONAL LEADER	80%	-
HOKOLO, MTUTUZELE SIDNEY	PT	COMM SERV	UDM	90%	100%
HULUSHE, ANDISWA EUDORA	FT	HUM. SETT	ANC	70%	100%
JACENI, LULAMA	PT		TRADITIONAL LEADER	90%	0%
JASKA, MICHAEL	PT	FINANCE	ANC	50%	100%
JOCKI, TEMBILE MAXWELL	FT	CHIEF WHIP	ANC	100%	-
KALIPA, MICHAEL ZONDANI	PT	TECH SERV.	COPE	80%	0%
KONDLO, NONCEDO EUNICE	PT	TECH SERV	ANC	90%	100%
KOPOLO, NOKWAYIYO AMELIA	PT	IPED	COPE	100%	-
LUNGISA, FUNEKA SYBIL	PT	HUM. SETT	ANC	90%	100%
MANDILE, PRINCE-PHILLIP ZUKO	PT	COMM SERV	DA	100%	-
MANZANA-SOVENDLE, KHANGELWA	PT	COMM SERV	ANC	70%	100%
MAQUNGO, NOXOLO LYDIA	PT	COMM SERV	ANC	70%	80%
MATIWANE, MXOLISI MICKLY	PT	HUM. SETT	ANC	70%	Joined Council in September 2011
MBASANA, XOLISWA PIA	PT	FINANCE	ANC	80%	100%
MFUNDISI, NOMALIZO	PT	TECH SERV	ANC	100%	-

APPENDICES

MGUYE, THABISO WEBSTER	PT		TRADITIONAL LEADER	70%	100%
MJO, DECEMBER	FT	IPED	ANC	90%	100%
MNGESE, BONGANI ELVIS	FT	COMM SERV	ANC	80%	100%
MNYAKA, MBULELO	PT	ADMIN & HR	ANC	90%	100%
MPOLO, TERI VIVIAN	PT	SPU	ANC	70%	100%
MRUBATA, MONDE STEMBRIDGE	PT		TRADITIONAL LEADER	70%	100%
MTINGENI, FIKILE	PT		TRADITIONAL LEADER	80%	90%
MVANA, SIBUSISO ERIC	PT	TECH SERV	ANC	90%	90%
NDABAMBI, BANDILE	PT	ADMIN & HR	ANC	100%	-
NDALISO, MABUTI RONALD	PT	ADMIN & HR	ANC	80%	100%
NDINISE, MAKWENKWE ELVIS	PT	TECH SERV	ANC	90%	100%
NDLEBE, SELKA NOMBUYISELO	PT	SPU	ANC	60%	100%
NGESI, MZIKABAWO	PT	TECH SERV	ANC	100%	100%
NGOMA, MNINAWA	PT		TRADITIONAL LEADER	90%	100%
NJOZELA, DUMISANI DAVID	PT	SPU	ANC	100%	-
NONTSELE, MNCEDISI	FT	MAYOR	ANC	90%	100%
NQUMA, NOMBUYISELO PATRICIA	PT	FINANCE	ANC	100%	-
PAMBO, NELISA CONSTANCE	FT	TECH SERV	ANC	90%	100%
PETER, MZOZOLO	FT	FINANCE	ANC	100%	-
QOMOYI, NOMATHAMSANQA JOYCE	PT	HUM. SETT	ANC	100%	-
RANI, BULELWA GLORIA	PT	ADMIN & HR	ANC	90%	0%
RASIMOSI, LULAMA CYNTHIA	PT	SPU	ANC	80%	90%
SHAW, JEROME MATTHEW	PT	ADMIN & HR	DA	80%	100%
SIBEFU, PATRICK MAWETU XOLANI	PT	FINANCE	ANC	90%	100%
SIMAMA, NOMVULA	PT	HUM. SETT	ANC	90%	100%
SIYO, MFUNDO NAPOLEON	PT	ADMIN & HR	PAC	90%	100%
SNYDERS, MARGARET BERNADETTE	FT	SPEAKER	ANC	100%	-
THOLE, MZWANDILE JOSEPH	PT	TECH SERV	ANC	90%	100%
TSOTETSI, ELIZABETH NOMATAMSANQA	PT	ADMIN & HR	ANC	100%	-
TYHOLO, MANDISA LYDIA	PT	FINANCE	DA	90%	100%
VAN HEERDEN, BONGIWE GLADNESS	FT	ADMIN & HR	ANC	80%	100%
XHELISILO, MALIBONGWE	PT	COMM SERV	DA	70%	100%
XULUBANA, NOMHLE THEODORAH	PT	ADMIN & HR	ANC	60%	100%
ZIMEMA, FIKILE XANTI	PT		TRADITIONAL LEADER	70%	100%
ZIMEMA, NOMLISELA VINAH	PT		TRADITIONAL LEADER	80%	100%

APPENDICES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
COUNCIL	Council – Represented by all the Councillors in the Municipality. It is chaired by the Speaker
MAYORAL COMMITTEE	Mayoral Committee – It is the committee of the Executive Mayor and members of the Mayoral Committee. Council may delegate certain functions to the Mayoral Committee. This is done in the system of delegations. The Mayoral Committee must report all decisions to the Council. The functions not delegated must then be recommended to full Council.
SECTION 80 COMMITTEE	Section 80 Committees – established to assist the Executive Mayor and Mayoral Committee. The Executive Mayor appoints the chairperson and may delegate power to these committees. The Mayoral Committee may vary or cancel any decision taken by these committees. Section 80 committees report to the Mayoral Committee. In Lukhanji Municipality there is 7 Mayoral Committee Members and thus 7 Section 80 Portfolio Committees: Administration & Human Resources; Finance; Human Settlements; Special Programmes; Technical Services; Community Services; Intergrated Planning and Development.
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)	In assisting the Council with its oversight function a Section 79 Public Accounts and Oversight Committee was established with specific terms of reference.
AUDIT COMMITTEE	Established in terms of Section 166 of the MFMA.
BID ADJUDICATION COMMITTEE	Bid Adjudication Committee is last in the procedure for dealing with bids of the Lukhanji Municipality and is responsible for the final decision regarding the adjudication of a bid. Proposals regarding the applicable and qualifying bids for each tender get submitted from the Evaluation Committee to the Bid Adjudication Committee where the adjudication is finalised. The chairperson of the Bid Adjudication is the CFO, who is not allowed or involved in the Bid Evaluation Committee at any stage..

APPENDICES

APPENDIX C – FUNCTIONS OF MUNICIPALITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	
Building regulations	Yes	
Child care facilities	Yes	
Electricity and gas reticulation	Yes	
Firefighting services	Yes	
Local tourism	Yes	
Municipal airports	Yes	
Municipal planning	Yes	
Municipal health services	No	
Municipal public transport	No	
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	Yes	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	
Stormwater management systems in built-up areas	Yes	
Trading regulations	Yes	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	
Beaches and amusement facilities	Yes	
Billboards and the display of advertisements in public places	Yes	
Cemeteries, funeral parlours and crematoria	Yes	
Cleansing	Yes	
Control of public nuisances	Yes	
Control of undertakings that sell liquor to the public	Yes	
Facilities for the accommodation, care and burial of animals	Yes	
Fencing and fences	Yes	
Licensing of dogs	Yes	
Licensing and control of undertakings that sell food to the public	Yes	
Local amenities	Yes	
Local sport facilities	Yes	
Markets	Yes	
Municipal abattoirs	Yes	
Municipal parks and recreation	Yes	
Municipal roads	Yes	
Noise pollution	Yes	
Pounds	Yes	
Public places	Yes	
Refuse removal, refuse dumps and solid waste disposal	Yes	
Street trading	Yes	
Street lighting	Yes	
Traffic and parking	Yes	

APPENDICES

APPENDIX D – WARD REPORTING

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
1	Thole, Mzwandile Joseph Horetius Simphiwe Maliti Pumza P. Ntenetyana Novuyisile Masimini Thembelani Lituka Patricia N. Mfama Nomayose Betele Thembisile P. Feni Nomthandazo C. Fanteso Ntuthuzelo T.Jeki Robert Mabala	Yes	5	5
2	Mpolo, Teri Vivian Elizabeth Manqunyana Nolusaoho J.Sigede Feziwe Melani Nyameko Tamana Nontsikelelo N Geja Gladys N. Maninjwa Monelwa N.F.Ntlanjeni Nowethu Miranda Nunu Fezeka Gayiya Mirriam Jaza	Yes	17	17
3	Gxaba, Theophylus Mlanceli Layitile Sibango Ngadana Patrick Dalasile Yoliswa Mbontsi Zimisele Qole Akhona Ludidi Nokhanyo Madonono Mzwabo Nxandeshe Lungile nqumse nontsapho Komeni Tabo	Yes	0	0
4	Jikele, Etheline Khush <i>(Resigned August 2011)</i> Matiwane, Mxolisi Mickly Buliswa Soji Gladys N. Mtshabe	Yes	4	4

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
	Sizeka Boo Beatrice N. Nopece Pumza Moya Thembakazi Paya Angelina N. Moshekile Lulama Mgetyengana Octavia N. Bola Kayakazi Gonyela			
5	Qomoyi, Nomathamsanqa Joyce Nophelo N. Mbetheni Thobeka Tyatyeka Jongilanga H. Ndzondza Pulleng Fuba Muriel B.Zuba Nceba M. Majezi Elsie Nyobole Monica C. Mgqolozana Henkie B. Kamnte	Yes	2	2
6	Njozela, Dumisani David Fezeka Sisusa Liziwe Mbeki hesewu Kholisile Zanele Mbingeleli Mhimhi Nodwele Alfred M. Majikela Bikiwe Simina Mziwenkosi Mabhaso Nombuyiselo Jim Nocebo Godlo	Yes	5	5
7	Ngesi, Mzikabawo Mandisa Nandi Sipho.C. Hlathana Tembinkosi Kupiso Patricia N Ngxeketo Nomvuyo M David Bulelwa M. Mgijima Thozama Ndarala Thandiswa Mfundisi Nomakhephu Mayedwa Excellent Gxaleka	Yes	0	0
8	Xulubana, Nomhle Theodorah Sivuyile P Sintu	Yes	7	7

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
	Nosipho Gcilitshana Tembela B Moni Nonceba Nobhula Luyanda Sikhotha Lungile Madikida Ntombi G Ngqolozana Boniwe G. Tolashe Nomawethu T. Njoli			
9	Rasimosi, Lulama Cynthia Sokie John Gqodwana Sizeka V. Ntlangwini Jimmy V. Bikawula Sister Y. Nkwentsa Notukuse E. Sigwentu Andile M. August Mzukisi Mqunisa Phumzile K.Genu Xolile M. Dyalivane Noluvuyo S. Botha	Yes	0	0
10	Bokuva, Archibald Vukile Wellington Gomba Zanele Lisa Lulama Ralane Thabisa Ntlabathi Ebby Hatili Charlie Zonke Nosiphiwo Landu Nomvuselelo Mbokoto Mabhuti Jaantjie Bathini Gudula	Yes	0	0
11	Manzana-Sovendle, Khangelwa Xolile Banzana Sibongile Neli Nobantu V. Ndata Siyabulela Velem Sabelo Qolo Phumzile Malumbazo Lungani Nzuzo Zoleka Setheni	Yes	13	13
12	Kondlo, Noncedo Eunice Ntihilile Ndikila Joseph Kwaza	Yes	3	3

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
	Siyabulela Mxhalisa Andile Ntatawe Nomfundo T. Oliphant Malixole makhaphela Ntozimbi Paul Nosinodi Mtiya Rebecca Matutu Mzwamadoda Ngxulelo			
13	Duda, Florence Nomvuyo Xoliswa Xayiya Jenepha Twalo Kenneth Buthi Sabelo Sithuba Elgar M.Mrubata Mbongeni Velaphi Vuyani V. Duda Nomhle B. Dlali Beatrice N mbhashe Andiswa P. Tabata	Yes	3	3
14	Mvana, Sibusiso Eric Kunuse H. Gqoboka Tabita D. Ntlontlo Welekazi F.Mnqandi Babalwa Dyantyi Vuyokazo P. Makapela Lungulwana Nomathemba Monelwa Xipu- Mgedezi Mteto W. Kamana Sipho E. Mrwebi Nokuthula zonela	Yes	9	9
15	Dywili, Zamuxolo Augustine Mzwakhe Gongqo Patricia Stuurman Thomas Lindelwa Lundi Mangaliso Doctor Yekiso Lungephi sangoni zandisa Mbebe Noluthando Peter Loyiso Bombo Ntombekhaya G yabo	Yes	11	11
16	Nquma, Nombuyiselo Patricia	Yes	7	7

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
	Nontsikelelo V Mrubata Bulelani Tyulu Nomama L Tsholoba Thanduxolo Dimaza Thembisa Mntanani Phatiswa Stemele Siyabulela s. Phaphu Tabita Menziwa Siyabulela Tingeni Vuyani Mtini			
17	Blekiwe, Mxolisi Victor Nozukule Gomba Luvuyo Daniso Zola Dyonasi Siphokazi Mnyengeza Vela Maxwell Tabata Ntombise Madze Priscilla Madubedube Vuyani Leon Ngoma Kenneth Mfakadolo	Yes	3	3
18	Dayimani, Fuzile Matthews Mninawa G Mbele Sakhumzi Rini Lungiswa P Mnini Nomathemba Ndumela Bongani Sinxati Phumzile Mbanjana Andile Ganca Buzani Gcinisa Nomzamo Tsotetsi Magdelene Manwell	Yes	2	2
19	Jaska, Michael Johnson Z Nocanda Simpfiwe Mathiso Elizabeth Fourie Thersa Smith Ronnie Mxasa Zakade R Mbona Mathews Sbhongile Mfengu Mayeki Mbuyiselo Ellise Kepkey Jeanett Sophia Symons	Yes	0	0

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
20	Simama, Nomvula Margarette N. Zakade Zoleka Mpendukana Ntombizanele Mbengo Nomatshayina Fata Mirriam N.Tyutyu tandiwe Skweyiya Nomthandazo Bilose Patricia feti Mapeyi Luvuyo Ngulu Baliwe Phindiwe Cynthia	Yes	5	5
21	Tsotetsi, Elizabeth Nomatamsanqa Noxushe P. Dayimani Ntombizodwa Papu Zingisa Titus Tulani Sonkosi Xatyiswa Mjongile Ntombizodwa Lati Mti Fundile Matoti sandra lungelwa Nqweniso Nozuko Gloria Nqayi Nompendulo M Mafuxwana	Yes	7	7
22	Sibefu, Patrick Mawetu Xolani Fezekile C.Bless Asanda Klaas Vuyokazi Ndzini Zwelitsha Yagraya Desiree Roy Nomthandazo Zwelibanzi Linda Ndembe Sophie winnaar Lorraine A. Stegman	Yes	0	0
23	Ndaliso, Mabuti Ronald Babalwa Wayiza Nompumelelo Kweza Fezeka Nogemane Nomalungulo Mzwandile Mrhawzeli Vuyokazi Xipu Nomfundo Mila Lumnka Mndi	Yes	0	0
24	Mbasana, Xoliswa Pia	Yes	12	12

APPENDICES

Functionality of Ward Committees				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
	Kaya Dlomo Anele Ntombana N.P. Tamana T.J. Xakana N.N.Mazomba A.T. Tshulundu Tawana F Tembinkosi Mswazi Zingisa A. Sobashe Sylvia Cynthia Dungani			
25	Rani, Bulelwa Gloria Nokozi Denga Mandla Godwana Fundiswa Charlie Nxoyi Nandipha Meditaba Molokaong Mandla Mhobo Nombulelo Gade Bonele Cwala Masakhane Mini Mzimkhulu S. Silwana	Yes	6	6
26	De Wet, Johannes Christoffel Amos Mapolisa Thezaphi Fose Nokwakha C. Mbala Nombasa Vetman Nonkolelo Dani Danile B. Selana	Yes	0	0
27	Ndlebe, Selka Nombuyiselo Nomakhaya G. Matiwane Ntomboxolo Solani Nozilandu N.P.Jemento Nompazamo G. BEreni Elizabeth Spayire Nomonde A Bangani Xolani Rolomana Khangelekhaya seti Ntombomzi Dayimani Noselele Zweni	Yes	1	1

APPENDICES

APPENDIX E – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2011/2012

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 0	Recommendations adopted (enter Yes) If not adopted (provide explanation)
1 July 2011	Resignation of Two Audit Committee Members	Yes
	Progress on Payment of Audit Committee Members	Yes
	Update on Annual Financial Statements	Yes
30 August 2011	Draft Annual Financial Statements	Yes
6 October 2011	Draft Audit Committee Charter 2011: Chris Hani District Northern Cluster Municipalities	Yes
	Draft Internal Audit Charter 2011: Lukhanji Municipality	Yes
	Internal Audit Report: Performance Management: Lukhanji Municipality	Yes
	Internal Audit Report: Policies And Procedures: Lukhanji Municipality	Yes
	Internal Audit Report: Plant and Vehicle Maintenance: Lukhanji Municipality	Yes
12 December 2011	Audit Report: Lukhanji Municipality: 2010/2011 Financial Year	Yes
13 March 2012	Revised Risk Register	Yes
	Revised Internal Audit Plans: 2012 to 2015	Yes
	Follow-up Report: Vehicle and Plant Maintenance Audit	Yes
	Follow-up Report: Policies and Procedures Audit	Yes
	Follow-up Report: Implementation Of Credit Control And Debt Collection Policy Audit	Yes
29 May 2012	Internal Audit Report on Supply Chain Management: March 2012	Yes
	Progress Report: Performance Management	Yes
	Internal Audit Report on Technical Services	Yes
	Audit Action Plan: 2011/12 Financial Year	Yes
27 June 2012	Internal Audit Report on Technical Services	Yes
	Internal Audit Report on Human Resource Management	Yes
	Annual Financial Statements Readiness	Yes
	Budget for 2012/2013	Yes

APPENDICES

APPENDICES

APPENDIX G – CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	0					
Public Transport Infrastructure and Systems Grant	0					
Other Specify:						
MSIG	1 500		1 500			
FMG	790		790			
Electricity Grant	1 000		1 000			
Total						

APPENDICES

APPENDIX H – CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX H (i) – CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	R '000						
	2010/11	2011/ 12			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2012/13	2013/14	2014/15
Capital expenditure by Asset Class							
Infrastructure - Total	-	31 530	33 219	-	-	-	-
Infrastructure: Road transport - Total	-	17 342	22 193	-	-	-	-
<i>Roads, Pavements & Bridges</i>		17 342 000	22 193 000		0		
<i>Storm water</i>							
Infrastructure: Electricity - Total	-	11 206	8 990	-	-	-	-
<i>Generation</i>							
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>		11 206 000	8 990 000				
Infrastructure: Water - Total	-	690	-	-	-	-	-
<i>Dams & Reservoirs</i>							
<i>Water purification</i>		690 000	0				
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	-	4	-	-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>		4 000	0				
Infrastructure: Other - Total	-	2 288	2 036	-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>		2 288 000	2 036 000				
Community - Total	-	5 725	550	-	-	-	-
<i>Parks & gardens</i>							
<i>Sportsfields & stadia</i>		5 725 000	550 000				
<i>Swimming pools</i>							
<i>Community halls</i>							
<i>Libraries</i>							
<i>Recreational facilities</i>							
<i>Fire, safety & emergency</i>							
<i>Security and policing</i>							
<i>Buses</i>							
<i>Clinics</i>							
<i>Museums & Art Galleries</i>							
<i>Cemeteries</i>							
<i>Social rental housing</i>							
<i>Other</i>							

Table continued next page

APPENDICES

Table continued from previous page

Capital Expenditure - New Assets Programme*								R '000
Description	Year -1	Year 0			Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3	
Capital expenditure by Asset Class								
Heritage assets - Total	-	-		-	-	-	-	
Buildings								
Other								
Investment properties - Total	-	-		-	-	-	-	
Housing development								
Other								
Other assets	-	4 196	3 211	-	-	-	-	
General vehicles								
Specialised vehicles								
Plant & equipment		4 196 000	3 211 000					
Computers - hardware/equipment								
Furniture and other office equipment								
Abattoirs								
Markets								
Civic Land and Buildings								
Other Buildings								
Other Land								
Surplus Assets - (Investment or Inventory)								
Other								
Agricultural assets	-	-	-	-	-	-	-	
List sub-class								
Biological assets	-	-	-	-	-	-	-	
List sub-class		0	0					
Intangibles	-	-	-	-	-	-	-	
Computers - software & programming		0	0					
Other (list sub-class)								
Total Capital Expenditure on new assets	-	41 451	36 980	-	-	-	-	
Specialised vehicles	-	-		-	-	-	-	
Refuse								
Fire								
Conservancy								
Ambulances								

APPENDICES

APPENDIX I – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: 2011/12				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2011/12 R' 000	Total Amount committed over previous and future years
Development Bank of South Africa	Electricity infrastructure upgrade	Electricity infrastructure upgrade	1 307 292	6 433 724
Nedbank	Vehicle purchase	Vehicle purchase	1 969 163	10 841 953
ABSA	Vehicle purchase	Vehicle purchase	2 803 806	3 454 000
ABSA	Electricity spares & Ezibeleni upgrading	Electricity spares & Ezibeleni upgrading	2 276 913	42 800 000

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS

The following annexure represents the financial statements for the 2011/12 financial year as submitted and audited by the Auditor General.

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED**

**FINANSIËLE STATE
VIR DIE BOEKJAAR GEEINDIG**

**INGXELO YEZEMALI
YOKUPHELA KONYAKA**



LUKHANJI MUNICIPALITY

30 JUNE 2012

Annual Financial Statements

for

LUKHANJI MUNICIPALITY

for the year ended 30 June: **2012**

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	G BROWN
Name of Chief Financial Officer:	LINDIWE NGENO
Contact telephone number:	045-807 2000
Contact e-mail address:	lngeno@lukhanji.co.za
Name of contact at provincial treasury:	NOMPELO NDZAKAM
Contact telephone number:	045-838 6353
Contact e-mail address:	nompelo.ndzakam@treasury.ecprov.gov.za
Name of relevant Auditor:	AUDITOR-GENERAL OF SOUTH AFRICA
Contact telephone number:	043-709 7200
Name of contact at National Treasury:	Keitumetse Malebye
Contact telephone number:	012 315 5989
Contact e-mail address:	keitumetse.malebye@treasury.gov.za

**LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012**

General information

Members of the Council

Appointment Date

Councillor-M NONTSELE	Mayor	31 May 2011
Councillor-MB SNYDERS	Speaker	31 May 2011
Councillor- MZ GWANTSHU	Member of the Executive Committee	24 February 2012
Councillor-AE HULUSHE	Member of the Executive Committee	31 May 2011
Councillor-TM JOCKI	Member of the Executive Committee	31 May 2011
Councillor-FS LUNGISA	Member of the Executive Committee	31 May 2011
Councillor-D MJO	Member of the Executive Committee	31 May 2011
Councillor-BE MNGESE	Member of the Executive Committee	31 May 2011
Councillor-NC PAMBO	Member of the Executive Committee	24 February 2012
Councillor-M PETER	Member of the Executive Committee	31 May 2011
Councillor-BG VAN HEERDEN	Member of the Executive Committee	31 May 2011

MEMBERS OF THE PART TIME COUNCIL

Councillor-MV BLEKIWE
 Councillor-AV BOKUVA
 Councillor-FM DAYIMANI
 Councillor-JC DE WET
 Councillor-FN DUDA
 Councillor-ML DYAN
 Councillor-SR DYANTYI
 Councillor-ZA DYWILI
 Councillor-SL GAJU
 Councillor-TM GXABA
 Councillor-MS HOKOLO
 Councillor-M JASKA
 Councillor-MZ KALIPA
 Councillor-NE KONDLO
 Councillor-NA KOPOLO
 Councillor-PZ MANDILE
 Councillor-K MANZANA-SOVENDLE
 Councillor-NL MAQUNGO
 Councillor-MM MATIWANE
 Councillor-XP MBASANA
 Councillor-N MFUNDISI
 Councillor-M MNYAKA
 Councillor-TV MPOLO
 Councillor-SE MVANA
 Councillor-B NDABAMBI
 Councillor-MR NDALISO
 Councillor-ME NDINISE
 Councillor-SN NDLEBE
 Councillor-M NGESI
 Councillor-DD NJOZELA
 Councillor-NP NQUMA
 Councillor-NJ QOMOYI
 Councillor-BG RANI
 Councillor-LC RASIMOSI
 Councillor-JM SHAW

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Councillor-PMX SIBEFU
Councillor-N SIMAMA
Councillor-MN SIYO
Councillor-MJ THOLE
Councillor-EN TSOTETSI
Councillor-ML TYHOLO
Councillor-M XHELISILO
Councillor-NT XULUBANA
Councillor-OB HEBE
Councillor-M HEBE
Councillor-L JACENI
Councillor-F MTINGENI F
Councillor-FX ZIMEMA
Councillor-M NGOMA
Councillor-NV ZIMEMA
Councillor-MWJ GUNGUBELE
Councillor-MS MRUBATA
Councillor-SV HEBE
Councillor-TW MGUYE

Acting Municipal Manager

G JUDEEL

Chief Financial Officer

L NGENO

Grading of Local Authority

Category 4

Auditors

Auditor-General

Bankers

ABSA BANK

Registered Office:

Queenstown

Physical address:

70 Cathcart Road
QUEENSTOWN
5320

Postal address:

Private Bag X7111
QUEENSTOWN
5320

Telephone number:

045-807 2773

Fax number:

045-807 2733

E-mail address:

lib@lukhanji.co.za
budget&treasury@awe.co.za

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Accounting Officer's Responsibility and Approval of annual financial statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 51, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager, G Brown
20 November 2012

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2012

	Note	2012 R	Restated 2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	176,729,059	124,999,536
Trade receivables from exchange transactions	2	26,633,303	20,313,984
Other receivables from exchange transactions	3	114,313,683	106,573,685
Other receivables from non-exchange transactions	3	9,458,859	5,223,900
VAT receivable	11	-	1,449,670
Other Financial Assets	5	224,908	224,908
Other Current Assets	3	3,751,311	5,043,282
Non-current assets			
Property, plant and equipment	6	726,310,400	710,711,011
Intangible assets	7	360	8,365
Investment property	8	91,283,592	91,283,592
Total assets		1,148,705,475	1,065,831,932
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	32,946,433	26,269,230
Consumer deposits	10	8,454,429	7,937,497
VAT payable	11	2,401,979	-
Unspent conditional grants and receipts	12	16,281,172	15,470,541
Other financial liabilities	13	1,792,521	1,303,479
Finance lease obligation	13	2,639,761	3,490,312
Retirement benefit obligation	43	1,391,000	1,392,768
Non-current liabilities			
Other financial liabilities	13	1,791,684	2,133,584
Finance lease obligation	13	2,133,208	4,772,145
Provisions	15	18,613,729	17,076,816
Retirement benefit obligation	43	55,918,461	59,881,693
Total liabilities		144,364,377	139,728,065
Net assets		1,004,341,098	926,103,867
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		1,004,341,099	926,103,867
NET ASSETS		1,004,341,099	926,103,867
Accumulated surplus		1,004,341,099	926,103,867

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	Restated 2011 R
Revenue			
Property rates	16	47,814,551	39,333,529
Property rates - Interest imposed and collection charges on rates	16	2,231,616	473,753
Service charges	17	155,803,583	130,496,954
Rental of facilities and equipment	18	2,478,194	1,468,931
Interest received (investment)	19	7,853,180	5,202,465
Interest received (trading)	20	8,570,588	8,448,319
Fines		380,285	729,473
Licences and permits		7,662,959	8,644,085
Government Grants and subsidies	21	136,916,030	155,294,751
Other income	22	11,885,359	10,227,573
Total Revenue		381,596,344	360,319,832
Expenditure			
Employee related costs	23	90,219,318	88,619,877
Remuneration of councillors	24	15,806,373	14,279,120
Administration Costs		(12,907,520)	(8,564,918)
Debt Impairment - Movement in Provision	2-3	28,806,620	57,530,576
Impairment Loss/Reversal of impairments		-	2,471,135
Depreciation and amortisation	25	15,763,169	15,309,176
Repairs and maintenance		6,288,497	6,652,474
Finance costs	26	6,605,133	7,633,763
Bulk purchases	27	117,892,863	95,041,763
Contracted services	28	2,282,171	1,943,285
Expenditure from Grants and subsidies	29	7,279,845	6,267,500
General expenses	30	41,229,621	26,846,624
Total Expenditure		319,266,091	314,030,375
Gain / (loss) on disposal of assets and liabilities	31	1,713,547	9,355,927
Gain / (loss) on actuarial adjustment	43	8,903,000	5,236,000
Prior Year adjustment unknown			(5,290,431)
Surplus / (deficit) for the year		72,946,800	55,590,953

LUKHANJI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2012

	Note	Accumulated	Total: Net Assets
		Surplus/(Deficit)	
		R	R
Balance at 30 June 2010		865,103,067	865,103,067
Prior period error	37	119,416	119,416
Restated balance		865,222,483	865,222,483
Surplus / (deficit) for the year		60,881,384	60,881,384
Balance at 30 June 2011		926,103,867	926,103,867
Adjustment to appropriation account in respect of transaction that should have been affected in the prior year such as under and over provision for creditors and under and over billing of services ect.(Detail Information was not available in respect of this balance at the date of submission)	37	5,290,431	5,290,431
Restated balance		931,394,298	931,394,298
Surplus / (deficit) for the period		72,946,800	72,946,800
Balance at 30 June 2012		1,004,341,099	1,004,341,099

LUKHANJI MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2012

:	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Grants		133,277,530	101,663,814
Interest Income		7,853,180	13,650,784
Ratepayers and other		292,663,329	162,008,443
		<u>433,794,039</u>	<u>277,323,041</u>
Payments			
Employee Costs		(106,025,691)	(102,898,998)
Finance Costs		(6,413,957)	(6,684,107)
Bulk Purchases		(117,892,863)	(95,041,763)
Suppliers and other		(121,146,242)	(42,188,485)
		<u>(351,478,753)</u>	<u>(246,813,353)</u>
Net cash flows from operating activities	34	<u>82,315,286</u>	<u>30,509,688</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(28,955,495)	(27,567,667)
Proceeds from sale of property, plant and equipment	31	1,713,547	9,355,927
Purchase of other intangible assets	7	(1,469)	(50,190)
Proceeds from sale of financial assets		-	508,015
Proceeds from actuarial valuation			5,236,000
Net cash flows from investing activities		<u>(27,243,416)</u>	<u>(12,517,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Repayment) in other financial liabilities		147,141	(68,803)
Finance lease payments		(3,489,487)	(952,936)
Other cash items			
Net cash flows from financing activities		<u>(3,342,346)</u>	<u>(1,021,739)</u>
Net increase / (decrease) in net cash and cash equivalents		51,729,523	16,970,034
Cash and cash equivalents at beginning of the year		124,999,536	108,029,502
Cash and cash equivalents at end of year	35	<u>176,729,059</u>	<u>124,999,536</u>

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

1 BASIS OF ACCOUNTING

1.1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 USE OF ESTIMATES

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.6 BUDGET INFORMATION

GRAP 24: Presenting of Budget Information in Financial Statements is not yet effective. However GRAP 1.15 (Revised) requires a comparison between actual and budget amounts. This information has been disclosed in the financial statements note 50.

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Year beginning on or after	Expected Impact
* IGRAP 2: changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April, 2011	No Major Impact
* IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April, 2011	No Major Impact
* IGRAP 4: Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April, 2011	No Major Impact
* IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April, 2011	No Major Impact
* IGRAP 6: Loyalty Programmes	01 April, 2011	No Major Impact
* IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April, 2011	No Major Impact
* IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April, 2011	No Major Impact
* IGRAP 9: Distributions of Non-cash Assets to Owners	01 April, 2011	No Major Impact
* IGRAP 10: Assets Received from Customers	01 April, 2011	No Major Impact
* IGRAP 13: operating Leases - Incentives	01 April, 2011	No Major Impact
* IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April, 2011	No Major Impact
* IGRAP 15: Revenue - Barter Transactions Involving Advertising Services	01 April, 2011	No Major Impact
* GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April, 2011	No Major Impact

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

* GRAP 2 (as revised 2010): Cash Flow Statements	01 April, 2011	No Major Impact
* GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April, 2011	No Major Impact
* GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April, 2011	No Major Impact
* GRAP 5 (as revised 2010): Borrowing Costs	01 April, 2011	No Major Impact
* GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April, 2011	No Major Impact
* GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April, 2011	No Major Impact
* GRAP 11 (as revised 2010): Construction Contracts	01 April, 2011	No Major Impact
* GRAP 12 (as revised 2010): Inventories	01 April, 2011	No Major Impact
* GRAP 13 (as revised 2010): Leases	01 April, 2011	No Major Impact
* GRAP 14 (as revised 2010): Events after the Reporting Date	01 April, 2011	No Major Impact
* GRAP 16 (as revised 2010): Investment Property	01 April, 2011	No Major Impact
* GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April, 2011	No Major Impact
* GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April, 2011	No Major Impact
* GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April, 2011	No Major Impact
* GRAP 101 (as revised 2010): Agriculture Assets	01 April, 2011	No Major Impact
* GRAP 102 (as revised 2010): Intangible Assets	01 April, 2011	No Major Impact

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND ADOPTED AT A FUTURE EFFECTIVE DATE

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July, 2012 or later periods:

* GRAP 18: Segment Reporting	01 April, 2013
* GRAP 23: Revenue from Non-exchange Transactions	01 April, 2012
* GRAP 24: Presentation of Budget Information in the Financial Statements	01 April, 2012
* GRAP 103: Heritage Assets	01 April, 2012
* GRAP 21: Impairment of non-cash-generating assets	01 April, 2012
* GRAP 26: Impairment of cash-generating assets	01 April, 2012
* GRAP 25: Employee benefits	01 April, 2013
* GRAP 104: Financial Instruments	01 April, 2012
* GRAP 105: Transfers of functions between entities under common control	01 April, 2014
* GRAP 106: Transfers of functions between entities not under common control	01 April, 2014
* GRAP 107: Mergers	01 April, 2014
* GRAP 20: Related parties	01 April, 2013
* GRAP 11: Consolidation - Special purpose entities	01 April, 2014
* GRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April, 2014
* GRAP 6: (as revised 2010): Consolidated and Separate Financial Statements	01 April, 2014
* GRAP 7: (as revised 2010): Investments in Associates	01 April, 2014
* GRAP 8: (as revised 2010): Interest in Joint Ventures	01 April, 2014
* GRAP 1: (as revised 2012): Presentation of Financial Statements	01 April, 2013
* GRAP 3: (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April, 2013
* GRAP 7: (as revised 2012): Investments in Associates	01 April, 2013
* GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April, 2013
* GRAP 12 (as revised 2012): Inventories	01 April, 2013
* GRAP 13 (as revised 2012): Leases	01 April, 2013
* GRAP 16 (as revised 2012): Investment Property	01 April, 2013
* GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April, 2013
* GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April, 2013
* GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April, 2013
* GRAP 16: Intangible assets website costs	01 April, 2013

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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 measured at fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the fair value.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

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.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The following annual depreciation rates are based on the following estimated useful lives:

Infrastructure		Other	
Roads and Paving	25 Years	Buildings	30 Years
Pedestrian Malls	25 Years	Specialist vehicles	5 - 10 Years
Electricity	40 Years	Other vehicles	5 - 7 Years
		Office equipment	3 - 7 Years
		Furniture and fittings	7 - 10 Years
		Watercraft	
Community		Bins and containers	5 Years
Buildings	30 Years	Specialised plant and equipment	10 Years
Recreational Facilities	20 - 30 Years	Other items of plant and equipment	3 - 5 Years
Security		Landfill sites	10 - 50 Years
Halls	50 Years	Quarries	
Libraries	50 Years	Emergency equipment	5 - 15 Years
Parks and gardens	20 Years	Computer equipment	3 - 5 Years
Other assets			
Heritage assets			
Buildings			
Paintings and artifacts			
Finance lease assets			
Office equipment	5 Years		
Other assets			

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of property, plant and equipment 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. 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.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible 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.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 Years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

4

4 INVESTMENT PROPERTY

4.1 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.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at market conditions at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. The value of such will be reviewed every 4 years with the implementation of the municipal valuation roll.

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of 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.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, 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.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

7 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability 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 (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

CLASSIFICATION

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at fair value
Other	Financial asset measured at fair value

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Borrowings	Financial asset measured at amortised cost
Trade and other payables	Financial asset measured at amortised cost
Other	Financial asset measured at amortised cost
Other receivables ²	Financial asset measured at amortised cost
Other financial liability ¹	Financial asset measured at fair value
Other financial liability ²	Financial asset measured at fair value

INITIAL RECOGNITION

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

FAIR VALUE MEASUREMENT CONSIDERATIONS

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis.

RECLASSIFICATION

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

4

DERECOGNITION

FINANCIAL ASSETS

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

FINANCIAL LIABILITIES

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

8 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). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 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 supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - 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; and
- (b) 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.

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

13 LEASES

13.1 MUNICIPALITY AS LESSEE

FINANCE LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. 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.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are expensed on a straight-line basis over the term of the relevant lease. The municipality did not have any leases as at the reporting date.

13.2 MUNICIPALITY AS LESSOR

FINANCE LEASES

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

OPERATING LEASES

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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. The estimates of consumption between meter readings are based on historical usage.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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 recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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.

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 proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

DEFINED CONTRIBUTION PLAN

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

DEFINED BENEFIT PLANS

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

OTHER POST RETIREMENT OBLIGATIONS

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the completion of a physical proportion of contract work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18 IMPAIRMENT OF 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.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 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 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 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.

19 IMPAIRMENT OF CASH GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

IDENTIFICATION

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

BASIS FOR ESTIMATES OF FUTURE CASH FLOWS

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

COMPOSITION OF ESTIMATES OF FUTURE CASH FLOWS

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

CASH-GENERATING UNITS

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

REVERSAL OF IMPAIRMENT LOSS

The municipality assess annually whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

REDESIGNATION

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

20 IMPAIRMENT OF NON-CASH GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

IDENTIFICATION

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses annually whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

DEPRECIATED REPLACEMENT COST APPROACH

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

RESTORATION COST APPROACH

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

SERVICE UNITS APPROACH

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

RECOGNITION AND MEASUREMENT

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

4

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

REVERSAL OF AN IMPAIRMENT LOSS

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REDESIGNATION

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

21 EVENTS AFTER REPORTING DATE

Disclose for each material category of non-adjusting events after the reporting date:

22 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

23 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

LŪKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

1 CASH AND CASH EQUIVALENTS	2012	2011
Cash and cash equivalents consist of the following:		
Cash on hand	26,992	26,992
Cash at bank	73,666,772	27,250,235
Call deposits	103,035,295	97,722,309
	<u>176,729,059</u>	<u>124,999,536</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 405-281-9154	85,522,179	42,523,873
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-854	22,039,720	9,802,279
Cash book balance at beginning of year	<u>27,250,235</u>	<u>1,081,152</u>
Cash book balance at end of year	<u>73,666,772</u>	<u>27,250,235</u>
Bank statement balance at beginning of year	<u>52,326,152</u>	<u>12,375,821</u>
Bank statement balance at end of year	<u>107,561,899</u>	<u>52,326,152</u>
<u>Savings Account</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 909-044-9293	102,794,552	97,059,887
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1802	41,601	37,315
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1577	48,471	41,951
ABSA Bank Limited - Queenstown Branch: Account Number 204-601-2562	8,839	8,204
ABSA Bank Limited - Queenstown Branch: Account Number 208-068-7315	5,369	5,034
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-862	132,920	127,523
RSA Internal Registered Bonds - No 23242	18,500	18,500
Cash book balance at beginning of year	<u>97,722,309</u>	<u>97,580,261</u>
Cash book balance at end of year	<u>103,035,295</u>	<u>97,722,309</u>
Bank statement balance at beginning of year	<u>97,298,414</u>	<u>43,351,117</u>
Bank statement balance at end of year	<u>103,048,253</u>	<u>97,298,414</u>
<u>Cash on hand</u>	<u>26,992</u>	<u>26,992</u>
Total cash and cash equivalents	<u>176,729,059</u>	<u>124,999,536</u>

The carrying amount of Cash and cash equivalents approximates their fair value due to their short-term maturity.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Debt Impairment	Net Balance
<u>Trade receivables</u>	R	R	R
as at 30 June 2012			
Service debtors			
Electricity	17,024,829	(8,188,862)	8,835,967
Refuse	54,960,620	(51,332,304)	3,628,315
Interest on Debtors	49,853,068	(46,854,876)	2,998,192
Sundries (Infrastructure Levy, Rentals, Availability Charges, Community Levy ect)	78,170,566	(66,999,738)	11,170,828
Total	209,009,083	(173,375,780)	26,633,303

as at 30 June 2011			
Service debtors			
Electricity	20,917,145	(12,469,266)	8,447,879
Refuse	47,261,647	(43,681,170)	3,580,477
Interest on Debtors	40,680,408	(38,079,790)	2,600,617
Sundries (Infrastructure Levy, Rentals, Availability Charges, Community Levy ect)	64,928,712	(59,243,702)	5,685,011
Total	173,787,912	(153,473,927)	20,313,984

<u>Electricity: Ageing</u>	2012	2011
Current (0 – 30 days)	5,671,948	5,005,773
31 - 60 Days	2,233,180	2,168,735
61 - 90 Days	930,839	1,273,370
91 - 120 Days	8,188,862	12,469,266
Total	17,024,829	20,917,144

<u>Refuse: Ageing</u>	2012	2011
Current (0 – 30 days)	1,506,485	1,503,019
31 - 60 Days	1,151,394	1,132,771
61 - 90 Days	970,436	944,887
91 - 120 Days	51,332,304	43,681,170
Total	54,960,620	47,261,647

<u>Interest on Consumer Debtors: Ageing</u>	2012	2011
Current (0 – 30 days)	1,031,825	873,075
31 - 60 Days	1,013,912	883,551
61 - 90 Days	952,456	843,991
91 - 120 Days	46,854,876	38,079,790
Total	49,853,068	40,680,407

<u>Sundries: Ageing</u>	2012	2011
Current (0 – 30 days)	7,634,978	5,084,597
31 - 60 Days	2,401,081	403,835
61 - 90 Days	1,134,769	196,578
91 - 120 Days	68,999,738	59,243,702
Total	78,170,566	64,928,712

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2012			
Current (0 – 30 days)	12,633,409	1,994,002	1,217,825
31 - 60 Days	5,564,853	593,876	640,839
61 - 90 Days	1,950,483	1,237,854	800,182
91 - 120 Days	147,104,115	22,168,230	4,103,435
Sub-total	167,252,860	25,993,962	6,762,281
Less: Provision for debt impairment	(147,104,115)	(22,168,230)	(4,103,435)
Total debtors by customer classification	20,148,745	3,825,732	2,658,846

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

as at 30 June 2011

Current (0 – 30 days)	12,466,464		
31 - 60 Days	4,588,892		
61 - 90 Days	3,258,626		
91 - 120 Days	153,473,928		
Sub-total	<u>173,787,910</u>	-	-
Less: Provision for debt impairment	(153,473,927)		
Total debtors by customer classification	<u>20,313,983</u>	-	-

Currently the financial system does not allow for separation of debtors by category. The municipality make use of providing for bad debt to debtors in excess of 90 days.

Reconciliation of the debt impairment provision

	2012	2011
Balance at beginning of the year	(153,473,928)	(126,534,180)
Contributions to provision	(19,901,853)	(26,939,748)
Balance at end of year	<u>(173,375,781)</u>	<u>(153,473,928)</u>

The carrying amount of trade receivables approximates their value due to their short-term maturity.

3 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	61,168	61,168
Chris Hani Agency account	114,039,222	106,304,057
Other debtors	213,293	208,461
Total Other Debtors	<u>114,313,683</u>	<u>106,573,685</u>

* Financial asset classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.

The carrying amount of trade receivables approximates their value due to their short-term maturity.

The municipality has raised a debtor for Chris Hani District Municipality for the amount of R114 039 222 which comprises R91 227 744 reflected above and R22 805 709 reflected in other debtors. This debtor relates to the agency agreement between Lukhanji Municipality and Chris Hani District Municipality. This amount has not been confirmed by Chris Hani District Municipality at year end. Lukhanji Municipality closed off the Water & Sanitation expenses and revenues to the agency account

3 Suspense Accounts

3,751,311	5,043,282
-----------	-----------

The above relates to suspense accounts created and in the process of clearing.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Debt Impairment R	Net Balance R
as at 30 June 2012			
Property Rates	37,722,910	(28,338,119)	9,384,792
Consumer Deposits	249,628	(175,561)	74,067
	<u>37,972,538</u>	<u>(28,513,679)</u>	<u>9,458,859</u>
as at 30 June 2011			
Property Rates	27,223,014	(22,076,342)	5,146,672
Consumer Deposits	228,560	(151,332)	77,228
	<u>27,451,574</u>	<u>(22,227,674)</u>	<u>5,223,900</u>

Rates: Ageing

	2012	2011
Current (0 – 30 days)	7,261,793	2,299,994
31 - 60 Days	1,198,913	1,487,831
61 - 90 Days	924,086	1,358,846
91 - 120 Days	28,338,119	22,076,342
Total	<u>37,722,910</u>	<u>27,223,013</u>

4 CURRENT INVESTMENTS

Deposits	103,035,295	97,722,309
	<u>103,035,295</u>	<u>97,722,309</u>
Provisions	-	-
Unspent conditional grants and receipts	16,281,172	15,470,541
Retirement benefit obligation	55,918,481	1,392,768
Leave Pay	11,921,852	10,176,680
Creditors Provision	8,513,650	2,352,767
Surplus	10,400,161	68,329,553
Refer to Note 1	<u>103,035,295</u>	<u>97,722,309</u>

5 Other Financial Assets

Financial Instruments

Fixed Deposits - Housing Collateral	206,408	206,408
Listed Investments - Government Bonds	18,500	18,500
	<u>224,908</u>	<u>224,908</u>
Pledged Investments - NONE		

These investments are classified as Loans and Receivables and the fair value approximates their carrying amounts.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land	Landfill Sites	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Other Assets: Game	Total
	R	R	R	R	R	R	R		R
as at 1 July 2011	331,573,305	7,538,455	149,016,754	203,308,172	864,777	8,631,138	9,978,409	2,493,300	713,204,311
Cost/Revaluation	331,573,305	7,538,455	159,293,772	221,087,558	738,841	14,531,429	14,823,818	2,493,300	748,586,779
Correction of error (note 41)	-	-	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	(10,277,018)	(17,779,388)	(73,884)	(5,900,291)	(4,845,210)	-	(38,875,788)
Acquisitions	-	100,202	1,337,281	25,891,711	724,022	902,279	-	-	28,955,495
Capital under Construction	-	-	-	-	-	-	-	-	-
Depreciation	-	-	(5,138,509)	(6,818,357)	-	(3,797,129)	-	-	(15,753,895)
Carrying value of disposals / Adjustments	-	-	-	-	-	(85,711)	-	-	(85,711)
Cost/Revaluation	-	-	-	-	-	(85,711)	-	-	(85,711)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-	-
as at 30 June 2012	331,573,305	7,638,657	148,215,826	222,281,828	1,388,799	8,640,877	9,978,409	2,493,300	726,310,400
Cost/Revaluation	331,573,305	7,638,657	160,631,053	248,979,289	1,482,863	15,337,997	14,822,818	2,493,300	760,936,863
Accumulated depreciation and impairment losses	-	-	(15,415,526)	(24,597,443)	(73,884)	(6,697,420)	(4,845,210)	-	(54,629,464)

Refer to Appendix B for more detail on property, plant and equipment

Motor vehicles with a carrying amount of R 9,978,409 of PPE were pledged as security under finance lease agreements.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6.2 Reconciliation of Carrying Value

	Land	Landfill Sites	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Other Assets: Game	Total
	R	R	R	R	R	R	R		R
as at 1 July 2010	331,573,305	7,538,455	154,186,263	186,081,900	761,709	10,197,047	8,183,015	-	698,410,695
Cost/Revaluation	331,573,305	7,538,455	159,293,772	197,293,892	738,841	14,229,987	11,357,259	-	722,019,112
Correction of error (note 41)	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	(5,138,509)	(11,231,792)	(38,932)	(4,032,940)	(3,188,245)	-	(23,808,417)
Acquisitions	-	-	-	23,793,868	-	301,442	3,472,359	-	27,567,667
Capital under Construction	-	-	-	-	-	-	-	-	-
Depreciation	-	-	(5,138,509)	(6,547,594)	(38,932)	(1,867,351)	(1,878,985)	-	(15,287,351)
Carrying value of disposals	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
*Other movements / Take on's	-	-	-	-	-	-	-	-	-
as at 30 June 2011	331,573,305	7,538,455	149,016,754	203,308,172	864,777	8,631,138	9,978,409	-	710,711,011
Cost/Revaluation	331,573,305	7,538,455	159,293,772	221,087,558	738,841	14,531,429	14,823,818	-	748,586,779
Accumulated depreciation and impairment losses	-	-	(10,277,018)	(17,779,388)	(73,884)	(5,900,291)	(4,845,210)	-	(38,875,788)

Refer to Appendix B for more detail on property, plant and equipment

6.3 Property, plant and equipment pledged as security

Motor vehicles with a carrying amount of R 9,978,409 of PPE were pledged as security under finance lease agreements.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value

	Computer Software R	Other* R	Total R
as at 1 July 2011	8 365	-	8 365
Cost	50,190		50,190
Correction of error (note 46)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses	(41,825)		(41,825)
	4		
Acquisitions	1,469	-	1,469
Amortisation	(9,474)	-	(9,474)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	360	-	360
Cost	51,659		51,659
Accumulated amortisation and impairment losses	(51,299)		(51,299)

7.2 Reconciliation of carrying value

	Computer Software R	Other* R	Total R
as at 1 July 2010	-	-	-
Cost			-
Correction of error (note 46)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses			-
Acquisitions	50,190	-	50,190
Amortisation	(41,825)	-	(41,825)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	8 365	-	8 365
Cost	50,190		50,190
Accumulated amortisation and impairment losses	(41,825)		(41,825)

8 INVESTMENT PROPERTY

8.1 Reconciliation of carrying value

	Investment property R	Investment property R	Total R
as at 1 July 2011	91,283,592	-	91,283,592
Fair Value	91,283,592		91,283,592
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	-	-	-
Fair Value	-	-	-
Accumulated depreciation and impairment losses	-	-	-

8.2 Reconciliation of carrying value

	Investment property R	Investment property R	Total R
as at 1 July 2010	91,283,592	-	91,283,592
Fair Value	91,283,592		91,283,592
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	91,283,592	-	91,283,592
Fair Value	91,283,592		91,283,592
Accumulated depreciation and impairment losses			-

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	8,513,650	2,352,767
Advance Payments : Debtors	8,930,202	4,760,780
Advance Payments : Pre Paid Electricity	1,459,853	1,821,370
Leave Pay	11,921,852	10,178,680
Cape Joint Pension Fund Accrual	1,735,003	1,735,003
Other creditors	385,074	5,822,631
Total creditors	32,948,433	26,269,230

* Financial instruments classified as financial liabilities at amortised cost.
The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Electricity	8,454,429	7,937,467
Total consumer deposits	8,454,429	7,937,467

Deposits do not accrue interest.

11 VAT PAYABLE

VAT payable	2,401,979
-------------	-----------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

11 VAT RECEIVABLE

VAT receivable	1,449,670
----------------	-----------

VAT is claimable on the receipts basis. VAT is claimed from SARS only once payment is made on a tax invoice.

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government	2012	2011
Municipal Infrastructure Grant	8,547,558	4,579,242
Financial Management Grant	-	727,460
Municipal System Improvement Grant	-	968,033
Department of Health	2,809,324	164,646
IEC	268,031	303,546
INFRASTRUCTURE UPGRADE LEVY	1,194,879	925,285
LED PROJECT - RESOURCE GROUP	813,370	528,722
VARIOUS PROJECTS - CHDM WASTE	410,052	410,062
MIG COUNTERFUNDING	612,309	621,301
LGW SETA - TRAINING	199,038	2,430
QUEENSTOWN RHINO FUNDS	203,038	193,895
WHITTLESEA EXT 4 ROADS & ST	383,408	383,408
COMPUTERISED LIBRARY SYSTEM	174,700	189,325
LED STRATEGIES & SPATIAL	821,889	821,689
Other	2,023,768	4,651,519
Total Unspent Conditional Grants and Receipts	16,281,172	15,470,541

Current portion of unspent conditional grants and receipts

See Note 21 and Appendix C for reconciliation of grants and receipts. These amounts are invested until utilised.

13 OTHER FINANCIAL LIABILITIES

Annuity Loans	3,584,205	2,133,584
Finance Leases	4,772,969	4,772,145
	8,357,174	6,905,729
Less : Current portion transferred to current liabilities	(4,432,282)	(4,793,791)
Local Registered Stock Loans	-	-
Annuity Loans	(1,792,521)	(1,303,479)
Finance Leases	(2,639,761)	(3,490,312)
Non current portion: Annuity Loans	1,791,684	830,105
Non current portion: Finance Leases	2,133,208	1,281,833
Total Other Financial Liabilities	3,924,892	2,111,938

Annuity loans are classified as financial liabilities at amortised cost.

Refer to Appendix A for more detail on borrowings

14 FINANCE LEASE LIABILITY

2012	Minimum lease payment	Discounted payments	Future finance charges
	R	R	R
Amounts payable under finance leases			
Within one year	3,735,362	3,080,444	(674,918)
Within two to five years	3,721,782	3,208,510	(515,272)
	7,457,144	6,288,954	(1,190,190)

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2011	Minimum lease payment R	Discounted payments R	Future finance charges R
Amounts payable under finance leases			
Within one year	4,260,028	3,490,312	(789,716)
Within two to five years	4,955,689	4,269,585	(686,104)
	<u>9,215,717</u>	<u>7,759,897</u>	<u>(1,455,820)</u>

The average lease term is 5 years and the average effective borrowing rate is between 9.0% and 12.84%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

15 NON-CURRENT PROVISIONS

	2012 R	2011 R
Provision for rehabilitation of landfill sites	18,613,729	17,076,816
Total Non-Current Provisions	<u>18,613,729</u>	<u>17,076,816</u>

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1988, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetation, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the Rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value. Interest rate used is linked to prime 9% (2011: 9%).

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:	
Balance at the beginning of year	17,076,816
Contributions to provision	1,536,913
Balance at the end of year	<u>18,613,729</u>

16 PROPERTY RATES

Actual	
Residential	30,813,092
Commercial	12,228,943
State	1,533,785
Agricultural	591,831
Educational	2,537,061
Municipality	109,839
Total property rates	<u>47,814,551</u>
Property rates - interest imposed and collection charges on rates	2,231,616
Total	<u>50,046,167</u>

Valuations

Residential	5,204,684,094	2,721,124,251
Commercial	1,630,289,723	951,512,873
State	242,032,426	166,347,389
Education	374,467,167	292,097,625
Agricultural	518,935,450	120,113,248
Municipal	320,055,926	732,689,636
Total Property Valuations	<u>8,290,464,786</u>	<u>4,983,885,022</u>

Valuations on land and buildings are performed every 4 years. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and revaluations. The municipality made use of Kula Valuations through the tender process to perform this function. Rebates of the first R15 000 on the value of residential properties are granted.

The municipality implemented the new property rates valuations from 1 July 2009 in terms of the new property rates act. The following tariffs were charged to the various categories in terms of the policy of the council.

Residential	R 0.00624
Businesses, Commercial, Industrial	R 0.00780
Educational	R 0.00624
Public Service Infrastructure	R 0.00157
Vacant Land	R 0.02741

Rates are levied on an annual basis with the final date of payment being 30 September for annual payers. The rates levied for monthly payers are payable over a period of twelve equal instalments. Interest at 1% above prime per annum is levied on outstanding rates as soon as accounts are overdue.

17 SERVICE CHARGES

Sale of electricity	134,789,448	112,211,547
Refuse removal	20,959,571	18,194,511
Septic Tanks	54,564	90,885
Total Service Charges	<u>155,803,583</u>	<u>130,496,954</u>

18 RENTAL OF FACILITIES AND EQUIPMENT

Rental of Premises	1,818,145	929,201
Rental of Grounds	99,454	41,269
Rental of facilities	522,528	490,282
Rental of equipment	38,067	8,200
Total rentals	<u>2,478,194</u>	<u>1,468,951</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
19 INTEREST EARNED - INVESTMENTS		
Bank	2,745,715	1,131,950
Deposits	5,107,464	4,070,515
Total Interest	<u>7,853,180</u>	<u>5,202,465</u>
20 INTEREST EARNED - TRADING		
Service debtors	8,570,588	8,448,319
Total Interest	<u>8,570,588</u>	<u>8,448,319</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
NATIONAL GOVERNMENT		
Equitable share	96,062,000	86,907,372
Finance Management	2,227,460	1,148,593
Municipal Systems Improvement	1,758,033	49,519
EPWP Incentive	1,096,000	
Integrated National Electrification Programme	1,000,000	78,075
Municipal Infrastructure Grant	24,511,684	21,331,361
PROVINCIAL GOVERNMENT		
Health	2,779,509	8,131,256
Sets Funds	275,211	
Public Works: EPWP	768,000	
Housing Grants	1,797,515	1,355,787
IEC	15,515	428,270
MSP Funds	29,785	
Computerized Library System	14,625	
Planning of Shiloh Greenfields	117,113	254,950
Brakloof Settlement Planning	39,038	
Service: Informal Settlements		69,045
Fire Services	(27,809)	55,814
Whittlesea Ext 4 Roads & Stormwater		110,460
LED PROJECT - Resource Group		166,329
Small Micro Strategy & Hawkers		118,099
OTHER GRANTS AND SUBSIDIES		
Upgrade Electricity Network 1.5c/kw	813,289	2,846,879
Queenstown Rhino Funds	1,400	5,541
MIG Counterfunding	8,982	
Integrated Development Plan	(8,372)	
Sinthemba Organization	1,376	
Insurance	169	
Sundry Grants		594,663
CHRIS HANI DISTRICT MUNICIPALITY		
Water and Sanitation Subsidy		31,840,452
Aids		1,856
Library Subsidy	2,203,714	
Budget Outreach	144,782	
Beautification	1,290,005	
Total Grant and Subsidies	<u>136,916,030</u>	<u>155,284,751</u>
21.1 Equitable Share		
In terms of the Constitution, this grant is used mainly to subsidise the provision of basic services to indigent community members. All registered indigents are to pay only a monthly account of R50(2011: R50), which is funded from the grant. A total of 50kwh is also supplied to indigents on a monthly basis.		
21.2 MIG Grant		
Balance unspent at beginning of year	(4,579,242)	(4,579,242)
Current year receipts	(26,480,000)	
Conditions met - transferred to revenue	24,511,884	
Conditions still to be met - remain liabilities (see note 13)	<u>(6,547,358)</u>	<u>(4,579,242)</u>
21.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	(10,891,299)	(10,891,299)
Current year receipts	(6,904,482)	
Conditions met - transferred to revenue	8,062,188	
Conditions still to be met - remain liabilities (see note 13)	<u>(9,733,593)</u>	<u>(10,891,299)</u>
21.4 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming financial years.		
22 OTHER INCOME		
Availability Charges: Electricity	221,836	
Connection Fee: Electricity	1,193,948	358,795
Connection Fee: Private Works	38,094	84,588
Reconnection Fee: Electricity	222,654	255,708
Tampering: Electricity	165,124	383,390
Contribution: WSSA	170,867	157,723
Access to Info Fees	54	379
Advert Costs	13,005	4,694
Building Plan Fees	394,780	473,896
Burial Fees	486,121	711,254
Certificates: Valuation	12,725	7,174
Commission on RD Cheques	1,620	1,632
Commission on Stop Orders	72,869	78,634

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R		
Community Levy	180,802	181,800		
Digging of Graves	384,256	227,403		
Encroachment Fees	4,013	3,713		
Fire Brigade Fees	1,075	880		
Gate Monies	77,742	75,035		
Grazing Fees	6,000	5,500		
Hunting Packages	112,185	86,771		
Internet	1,063	2,987		
Lost Books & Records	546	845		
Parking Meter Fees	50,535	68,471		
Patient Retain Cards	160	55,350		
Photocopies	57,959	74,495		
Plan Fees	2,527	8,103		
Plot Fees	152,029	113,536		
Pound Fees	510,107	1,063,758		
Pound Sales	434,419	1,219,298		
Project Fees	1,073,459	1,292,524		
Rentals: Carports	5,869	6,456		
Rentals: Street Signs	39,278	41,493		
Rezoning Fees	6,750	2,214		
Roadworthy Certificates	376,375	557,827		
Sale of Newspapers & Magazines	32	96		
Sale of Plants	3,343	7,874		
Sale of Refuse Bags	57,951	52,666		
Search Fees	5,228	3,270		
Special Permits	221,876	204,800		
Sundry Revenue	5,066,974	2,277,116		
Surplus Cash	4,734	1,869		
Swimming Bath Fees	8,527	8,259		
Testing - Electricity Meters	6,005	7,385		
Tip Fees	64,193	54,003		
User Fees	180	360		
Clean-up Projects	4,360	-		
Administration Charges	7,950	3,750		
Rates Charges	(1,638)	-		
Sewerage Charges	(10,597)	-		
Water Charges	(4,180)	-		
Total Other Income	11,885,359	10,227,573		
23 EMPLOYEE RELATED COSTS				
Salaries	51,237,312	51,829,648		
Leave Bonus	4,563,542	4,152,413		
Service Bonus	889,231	444,400		
Overtime	4,491,404	3,728,087		
Housing Subsidies	264,026	236,242		
Telephone Allowance	8,777	17,333		
Transport Allowance	2,918,955	2,790,968		
Uniforms/Protective Clothing Allowance	421,649	406,130		
Night Shift Services	788,763	660,551		
Other Allowances	45,054	27,037		
Contract Workers	8,638,185	7,657,874		
Pension Contribution Salaries	9,891,674	10,223,976		
Medical Aid Contributions	5,054,381	5,452,960		
Group Life Insurance	491,565	477,333		
UIF Contributions	518,799	515,126		
Workmen's Compensation	-	(0)		
Total Employee Related Costs	90,219,318	88,619,877		
Remuneration of the Municipal Manager				
Annual Remuneration	897,394	608,131		
Performance- and other bonuses	90,235	-		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	216,438	88,181		
Total	1,204,067	696,292		
Remuneration of the Chief Finance Officer				
Annual Remuneration	763,349	383,064		
Performance- and other bonuses	58,752	-		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	68,508	151,468		
Total	890,609	534,532		
Remuneration of Individual Executive Directors				
	Technical Services R	Corporate Services R	Community Services R	Human Settlements R
2012				
Annual Remuneration	648,236	512,560	588,780	478,547
Performance- and other bonuses	72,113	45,370	81,899	59,149
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	87,687	83,501	160,978	248,273
Total	788,037	641,431	811,657	785,969
2011				
Annual Remuneration	663,314	518,153	525,183	501,142
Performance- and other bonuses	-	26,764	-	-
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	60,000	162,632	84,503	95,059
Total	723,314	707,549	609,686	596,201

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
24 REMUNERATION OF COUNCILLORS		
Executive Mayor	636,435	13,874
Speaker	512,890	555
Executive Committee Members - 9	3,967,584	-
Councillors' allowances - 43	10,689,484	14,284,691
Total Councillors' Remuneration	<u>15,806,373</u>	<u>14,279,120</u>
In-kind Benefits		
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties.		
25 DEPRECIATION AND AMORTISATION		
Property, plant and equipment	15,783,189	15,308,174
Total Depreciation and Amortisation	<u>15,783,189</u>	<u>15,308,174</u>
26 FINANCE COSTS		
Finance Leases	1,369,167	949,656
Bank overdrafts	53	-
Interest on landfill site provision for rehabilitation	1,536,913	2,536,107
Other interest paid - Retirement Benefit Costs	3,699,000	4,148,000
Total Finance Costs	<u>6,605,133</u>	<u>7,633,763</u>
27 BULK PURCHASES		
Electricity	117,892,863	95,041,763
Total Bulk Purchases	<u>117,892,863</u>	<u>95,041,763</u>
28 CONTRACTED SERVICES		
Contracted services for:		
Security services	2,125,461	1,892,158
Maintenance	156,709	51,127
	<u>2,282,171</u>	<u>1,943,285</u>
29 EXPENDITURE FROM GRANTS AND SUBSIDIES		
Operational expenses from grants	7,279,845	6,267,500
	<u>7,279,845</u>	<u>6,267,500</u>
Refer Appendix C for detail.		
30 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	194,385	229,372
Agency Fees	1,070,123	917,118
Ammunition	368	-
Audit fees	2,447,923	1,857,005
Bank charges	971,397	812,286
Chemicals & Laboratory Services	150,843	121,302
Clean-up Projects	-	94,959
Compost & Fertilizer	4,952	6,330
Conferences and delegations	1,445,106	719,087
Consulting fees	319,431	29,521
Contract Disbursement	-	10,818
Departmental consumption - Electricity	1,233,203	898,598
Departmental consumption - Rates	80,268	20,034
Departmental consumption - Refuse	3,494	2,270
Departmental consumption - Sewerage	94,405	81,672
Departmental consumption - Water	383,617	328,138
Digging of Graves	16,644	352,930
Drivers: Licences	865,835	378,832
Entertainment	778,184	209,808
Feeding	408,180	485,840
Firebreaks	8,295	8,250
Fuel and oil	4,947,052	4,342,534
Furniture & Equipment	124,728	143,397
Herding Fees	54,498	185,596
Horticulture	4,099	-
Insurance	878,449	791,768
Laundry	305	1,054
Lease Rentals	1,855,712	1,373,349
Leave Gratuity Fund	3,467,917	-
Legal expenses	1,188,237	849,193
Levies paid	1,812,104	1,538,165
Licence fees - vehicles	338,179	251,972
Medical Examination	3,131	19,429
Misc Fees: Roadworthy Certificates	9,701	26,987
Motor Vehicle Expenses	145,350	392,021
Musical Rights	12,986	2,193
Pauper Burials	41,274	16,292
PDP Licences	-	11,697
Post retirement medical aid - Service Charge	2,630,000	3,311,000
Postage	1,080,477	834,713
Pound Fees	17,860	43,673

4

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Printing and stationery	815,376	772,444
Projects	5,423,479	-
Promotions	8,062	12,350
Removal Expenses Reserve	20,845	-
Road Signs	116,511	47,217
Safety: Nose	3,677	-
Software	5,175	6,835
SPCA Contribution	137,500	150,000
Stocks and material	535,324	507,884
Streets	353,413	354,853
Subscription & publication	68,031	5,039
Tampering-Electricity	1,800	36,100
Telephone cost	2,783,789	1,940,868
Tools & Equipment	47,562	29,028
Town Planning	16,360	3,104
Training	766,055	606,989
Transfer Fees	42,393	41,312
Travel and subsistence	799,804	571,478
Valuation costs	612,037	-
Women / Youth / Disabled	332,135	281,123
World Aids Day	10,629	800
Other	45,153	-
	<u>41,229,821</u>	<u>28,846,624</u>
31 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	1,713,547	9,355,927
Total Gain / (Loss) on Sale of Assets	<u>1,713,547</u>	<u>9,355,927</u>
32 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	-	-
Total Impairment loss / (Reversal of Impairment Loss)	<u>-</u>	<u>-</u>
33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
No fair value adjustment was done.		
34 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	72,946,800	55,590,953
Adjustment for:-		
Depreciation and amortisation	15,763,169	15,308,176
(Gain) / loss on sale of assets and liabilities	(1,713,547)	(14,591,927)
Finance costs - Finance leases		946,656
Impairment deficit		2,471,135
Debt impairment		57,530,576
Movements in retirement benefit assets and liabilities	(3,965,000)	963,000
Movements in provisions	1,536,913	2,245,378
Biological Assets and Assets Transferred	(2,397,589)	
Prior year transactions	5,290,431	(119,416)
Changes in working capital:		
Trade and other receivables from exchange transactions	(6,448,028)	(24,482,330)
Other receivables from non-exchange transactions	(4,234,959)	827,407
Consumer debtors	(6,319,319)	(46,190,280)
Trade and other payables from exchange transactions	6,677,204	(6,582,182)
VAT	3,851,648	2,303,751
Unspent conditional grants and receipts	810,830	(21,160,404)
Consumer deposits	516,932	334,785
	<u>82,315,286</u>	<u>26,219,258</u>
35 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	176,729,059	124,999,536
Net cash and cash equivalents (net of bank overdrafts)	<u>176,729,059</u>	<u>124,999,536</u>
36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 14)	8,357,174	6,905,729
Used to finance property, plant and equipment – at cost	(6,357,174)	(6,905,729)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities		
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
37 CORRECTION OF PRIOR PERIOD ERROR		
10/11		
Adjustment to appropriation account (Information was not available in respect of this balance at the date of submission)		119,416
11/12		
Adjustment to appropriation account in respect of transaction that should have been affected in the prior year such as under and over creditors provision, under and over billing of services ect.(Detail Information was not available in respect of this balance at the date of submission)	5,290,431	
Net effect on surplus/(deficit) for the year	5,290,431	119,416

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

38.1 Unauthorised expenditure

Loan taken up, not budgeted for	1,664,000	
Less: Amounts Approved/Certified by Council	(1,664,000)	
Depreciation not budgeted for	15,763,169	
Reconciliation of irregular expenditure	15,763,169	-

38.2 Fruitless and wasteful expenditure

Airticket - Director: Technical Services		4,123
SARS - Penalties and interest on late submissions	788,062	4,817
Opening balance -	8,940	
Fruitless and wasteful expenditure current year	788,062	
Less: Amounts Approved/Certified by Council	(8,940)	
Total fruitless and wasteful expenditure	779,122	8,940

38.3 Irregular expenditure

Section of Supply Chain Management Policy	3,521,411	37,659,797
Section 13,14 and 16	(3,521,411)	(1,121,571)
Reconciliation of irregular expenditure	-	36,538,226
Opening balance	36,538,226	
Irregular expenditure current year	3,521,411	
Transfer to receivables for recovery – not condoned	(40,059,637)	
Irregular expenditure awaiting condonement	-	-

39 ELECTRICITY DISTRIBUTION LOSSES

The municipality incurred electricity distribution losses in the current year eastimated 42% (2011:31%).

40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government

Council subscriptions	627,590	399,437
Amount paid - current	(627,590)	(399,437)
Balance unpaid (included in payables)	-	-

40.2 Audit fees

Current year audit fee	2,447,923	1,857,005
Amount paid - current year	(2,447,923)	(1,857,005)
Balance unpaid (included in payables)	-	-

40.3 VAT

VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.

40.4 PAYE and UIF

Current year payroll deductions	12,909,738	8,935,919
Amount paid - current year	(12,909,738)	(8,935,919)
Balance unpaid (included in payables)	-	-

40.5 Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	26,651,852	26,474,206
Amount paid - current year	(26,651,852)	(26,474,206)
Balance unpaid (included in payables)	-	-

40.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2012			
Councillor Van Heerden BD/I	94	94	-
Councillor Jocki TM/S	3,220	770	2,450
Councillor Njozela DD	8	8	-
Councillor Mandile JT/NE	565	565	-
Councillor Snyders MB	134	134	-
Councillor Hokoto MS	2,749	144	2,605
Councillor Rani BG	216	216	-
Councillor Ndabambi B	1,183	104	1,079
Councillor Dyan M	198	198	-
Councillor Xulubana NT	230	230	-
Councillor Pambo NC	4,220	1,686	2,535
Councillor Matiwane MM	253	253	-
Councillor Xhelisilo M	14,923	214	14,709

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Councillor Sokupe LC	3,872	106
Councillor Nquma NP	10,422	253
Councillor Mngese BE	536	401
Councillor Siyo MN	29,287	1,057
Councillor Ndinise ME	3,256	136
Councillor Blekiwe M	28,104	908
Councillor Mnyaka M	10,679	245
Councillor Bokuva AV	4,435	355
Total Councillor Arrear Consumer Accounts	118,585	8,077

as at 30 June 2011

Councillor Blekiwe M	22,652	841	21,811
Councillor Bokuva MH	2,851	293	2,558
Councillor De Wet JC	19,828	19,828	-
Councillor Dyan ML	1,323	232	1,091
Councillor Dyantyi SR	151	151	-
Councillor Dywili ZA/H	308	308	-
Councillor Gaju SL	321	321	-
Councillor Gwantshu MZ	501	501	-
Councillor Heyman RL	220	220	-
Councillor Hokolo MS	2,083	243	1,840
Councillor Jikele LE	21,206	1,003	20,203
Councillor Jocki TM/S	8,292	8,292	-
Councillor Mamdile JT/NE	2,123	2,123	-
Councillor Mantashe TP	656	341	315
Councillor Maqungo NL	692	170	522
Councillor Mnyaka M	24,129	994	23,135
Councillor Ndaliso MR	1,872	595	1,277
Councillor Nontsele MH	155	155	-
Councillor Shaw JM	470	470	-
Councillor Snyders A	293	293	-
Councillor Tsotetsi EN	139	139	-
Total Councillor Arrear Consumer Accounts	110,265	37,513	72,752

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

**Highest Amount
Outstanding
R**

as at 30 June 2012

Councillor Van Heerden BD/I	94
Councillor Jocki TM/S	3,220
Councillor Njzela DD	8
Councillor Mandile JT/NE	565
Councillor Snyders MB	134
Councillor Hokolo MS	2,749
Councillor Rani BG	216
Councillor Ndabambi B	1,183
Councillor Dyan M	198
Councillor Xulubana NT	230
Councillor Pambo NC	4,220
Councillor Matiwane MM	253
Councillor Xhelisilo M	14,923
Councillor Sokupe LC	3,872
Councillor Nquma NP	10,422
Councillor Mngese BE	536
Councillor Siyo MN	29,287
Councillor Ndinise ME	3,256
Councillor Blekiwe M	28,104
Councillor Mnyaka M	10,679
Councillor Bokuva AV	4,435
	118,585

as at 30 June 2011

Councillor Blekiwe M	22,652
Councillor Bokuva MH	2,851
Councillor De Wet JC	19,828
Councillor Dyan ML	1,323
Councillor Dyantyi SR	151
Councillor Dywili ZA/H	308
Councillor Gaju SL	321
Councillor Gwantshu MZ	501
Councillor Heyman RL	220
Councillor Hokolo MS	2,083
Councillor Jikele LE	21,206
Councillor Jocki TM/S	8,292
Councillor Mamdile JT/NE	2,123
Councillor Mantashe TP	656
Councillor Maqungo NL	692
Councillor Mnyaka M	24,129
Councillor Ndaliso MR	1,872
Councillor Nontsele MH	155
Councillor Shaw JM	470
Councillor Snyders A	293
Councillor Tsotetsi EN	139
	110,265

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
41 CAPITAL COMMITMENTS		
41.1 Commitments in respect of capital expenditure		
- Approved and contracted for	16,047,558	10,648,991
Infrastructure	6,547,558	4,634,523
Community	9,500,000	6,014,468
Other - Plant for Roads Unit	-	-
Total	16,047,558	10,648,991
This expenditure will be financed from:		
- External Loans	6,547,558	10,648,991
- Government Grants	9,500,000	-
- Own resources	-	-
	16,047,558	10,648,991

42 Operating leases

At the reporting date the entity has no outstanding commitments under operating leases.

43 RETIREMENT BENEFIT INFORMATION

Defined benefit plan

The following are defined benefit plan: Post retirement medical aid contributions.

The movement in the post employment medical benefit is reconciled as follows:-

Balance at beginning of year	(61,274,461)	(60,311,461)
Benefit Payments/Membership Movements	6,539,000	(3,186,000)
Reflected on the statement of financial performance:		
Service and Interest Cost	6,329,000	7,459,000
Actuarial (Gain)/loss recognised in the year	(8,903,000)	(5,236,000)
Balance at end of year	(57,309,461)	(61,274,461)
Non-current liabilities	(55,918,461)	(59,881,693)
Current Liabilities	(1,391,000)	(1,392,768)
Balance at end of year	(57,309,461)	(61,274,461)
Net expenses recognised in the statement of financial performance		
Current Service cost	2,630,000	3,311,000
Interest Cost	3,699,000	4,148,000
Actuarial (gains) losses	(8,903,000)	(5,236,000)
	(2,574,000)	2,223,000

The actuarial gain/loss at the end of 30 June 2012 amounted to R8,903,000.

The amount of the liability shown in the balance sheet is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

Sensitivity Analysis

Changes in medical inflation

Changes in the difference between the medical inflation and discount rates have a significant impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the medical inflation rate by 1% throughout, whilst keeping all other assumptions constant. The valuation was conducted by a professional acturer.

Sensitivity to medical inflation		
-1	Base	1
R 49,103,000	R 57,309,461	67,543,000
-16.71%		17.86%

Assumptions used.

Descriptions

Pre retirement mortality
Post retirement mortality
AIDS
Normal retirement age

Assumptions

SA(85/90) normal
PA(90)M, PA(90)F
Not allowed for
60 years before 1 April 2000 and 65 years after 1 April 2000

Age difference
Take up rate
Discount rate

Actual information applicable to each Lukhanji Municipality employee
100% of active employees at retirement
Zero-coupon South African Bond yield curve

Medical inflation
Salary inflation

1.50% p.a. lower than the discount rate and 3.00% p.a. higher than CPI
2.00% p.a. higher than CPI

CPI - "a curve assumed"

A curved assumed to be 3.0% lower than the discount rate

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012	2011
R	R

44 CONTINGENT LIABILITY

1. **Matter: Lukhanji Municipality vs. Achuma Construction:** This claim against the Municipality for construction work, which should be successfully defended. The Municipality has paid this amount claimed to a Cessionary in full and final (including costs and disbursements) : R120 000.00 (Status of case: Current)
2. **Matter: Lukhanji Municipality vs. Hlulani, S P :** This matter is part-heard and should be finalised in the next year. Client's prospects of successfully defending this action are good. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R55 000.00 (Status of case: Pending)
3. **Matter: Lukhanji Municipality vs. Magqabi, A V :** This is an Application for the transfer of immovable property, which is being opposed by client. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R250 000.00 (Status of case: Pending)
4. **Matter: Lukhanji Municipality vs. Mekile & 7 Others:** This is a Summons which was issued against the Municipality for a damages claim relating to the impounding of stock. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R45 000.00 (Status of case: Pending)
5. **Matter: Lukhanji Municipality vs. Motile A :** This is an action which the Municipality is defending and which the Plaintiff has failed to set down for trial. The Plaintiff appears to have lost interest in the claim and the matter is currently being monitored only. Legal Counsel's estimate of the financial exposure (including cost and
6. **Matter: Lukhanji Municipality vs. Mpande, Z :** In this particular matter the Municipality is litigating against the entity in terms of certain building regulation contraventions. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R15 000.00 (Status of case: Pending)
7. **Matter: Lukhanji Municipality vs. Nofemele, B S & Others:** An Application by Nofemele & others regarding certain immovable property, which matter has become settled. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R25 000.00 (Status of case: Pending)
8. **Matter: Lukhanji Municipality vs. SAMWU obo Cata and 45 Others :** In this matter Cata and 45 others are claiming salaries backdated to a decision by the Whittlesea Transitional Local Council to upgrade the Municipality and accordingly upgrade their own salaries. This matter has been opposed in the Labour Court, Port Elizabeth and we are reasonably satisfied that the Municipality have good prospects of succeeding in opposing this Application. Legal Counsel's estimate of the financial exposure (including
9. **Matter: Lukhanji Municipality vs. SAMWU obo Mayekiso, S :** In this matter Mayekiso was dismissed and on Arbitration was re-instated. We were instructed to have the decision of the Arbitrator taken on review and this matter is awaiting the set down of a trial date. Counsel is reasonably satisfied of our prospects of success and we are currently instructed regarding possible settlement negotiations. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R75 000.00
10. **Matter: Lukhanji Municipality vs. SAMWU obo Mjobo, V W :** In this matter in the entity Mjobo was dismissed and on Arbitration was re-instated. We were instructed to launch an Application to have the decision of the Arbitrator reviewed and set aside and this matter is currently awaiting a date for hearing in the Labour Court, Port
11. **Matter: Lukhanji Municipality vs. Siyahlutha Developers :** This is a High Court Summons issued against the Municipality and the Department of Public Works for payment of monies due to an alleged bridge of contract. This matter is pending and a trial date is awaited. We are satisfied that there are reasonable prospects of successfully defending this action. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R2 500 000.00 (Status of case: Pending)
12. **Matter: Lukhanji Municipality vs. Skweyiya, B :** In this matter the Plaintiff has sued a Councillor of the Municipality for damages. This matter is being defended and we are currently awaiting a trial date. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R150 000.00 (Status of case: Pending)
13. **Matter: Lukhanji Municipality vs. Tyalithi Family Trust :** This is an Application in terms of the Building Regulations and will be heard in the High Court in due course. We are reasonably satisfied of our prospects of success. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R50 000.00 (Status of case: Pending)
14. **Matter: Lukhanji Municipality vs. Mpemba & another :** This is an claim against the Municipality for dismissal of a Councillor. : Amount: Unknown (Status of case: Pending)

15. Bank Guarantee for R10 000 in favour of Dept of Mineral and Energy Affairs

45 CONTINGENT ASSET

None

46 IN-KIND DONATIONS AND ASSISTANCE

None

47 EVENTS AFTER THE REPORTING DATE

The municipality received a letter from National Treasury indicating that the unspent balance as at 30 June 2012 for the Municipal Infrastructure, Financial Management and Municipal System Improvement needs to be repaid to the National Treasury. The municipality is however disputing the amount for the Finance Management and Municipal System Improvement Grant, as can be seen from the Annual Financial Statements, that no funding was available at year end.

48 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

2011
R

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in notes 13.

Useful lives of infrastructure assets

The municipality's management determines the estimated useful lives and related depreciation charges for infrastructure assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

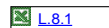
Effective interest rate

The municipality used the prime interest rate x 85% (\pm equal to borrowing rate from DBSA) to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

49 RISK MANAGEMENT



49.1 Market Risk

The municipal activities expose it primarily to the risk of fluctuations in the interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis showing how the Statement of Financial Position would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

49.2 Credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and/or deposits to minimise the credit risk.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
Financial assets exposed to credit risk at year end were as follows:		
ABSA Bank	73,666,772	27,250,235
Short term investments	103,035,295	97,722,309
Trade and other receivables	140,946,986	126,887,669

These balances represent the maximum exposure to credit risk.

49.3 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity Analysis

	0 - 1 Year	2 Years	3 Years+	Total
2012				
Trade Payables	8,513,650			8,513,650
Finance Lease liability	3,124,990	1,037,497	2,887,395	7,049,882
Bank borrowings	1,268,875	0	0	0
2011				
Trade Payables	2,620,505			2,620,505
Finance Lease liability	3,270,023	4,995,714		8,265,737
Bank borrowings	1,005,833	2,500,033		3,505,866

49.4 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

49.5 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting dates. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis form one year to the next.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

Sensitivity Analysis Changes in interest rates

Changes in the difference between the interest rates have an impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the interest rate by 1% throughout, whilst keeping all other assumptions constant:

Development Bank of South Africa Loan
Finance Lease Liabilities

	Sensitivity to interest rate risk		
	-1%	Base	+1%
Development Bank of South Africa Loan	3,548,363	3,584,205	3,620,047
Finance Lease Liabilities	4,725,239	4,772,969	4,820,699

50 COMPARISON WITH THE BUDGET

	2011 Budget R	2011 Actual R	2012 Budget R	2012 Actual R
Revenue by Source				
Property rates	37,448,001	39,333,529	40,443,841	47,814,551
Service Charges - Electricity revenue	115,606,136	112,211,547	143,898,365	136,593,011
Service Charges - Water revenue	23,758,156	0	19,862,477	0
Service Charges - Sanitation revenue	14,159,079	0	14,874,570	0
Service Charges - Refuse revenue	18,351,427	18,194,511	19,823,960	20,959,571
Rental of facilities and equipment	1,350,323	1,468,931	2,349,969	2,478,194
Interest earned - external investment	2,010,000	5,202,465	2,110,500	7,853,180
Interest earned - outstanding debtors	16,282,882	8,448,319	20,608,878	8,570,588
Fines	503,830	729,473	300,992	380,285
Licences and permits	4,764,516	8,644,085	7,862,242	7,662,959
Agency services	43,436,199	0	38,179,361	2,348,496
Property rates - Interest Imposed	0	473,753	2,109,456	2,231,616
Other service charges	0	90,895	83,188	92,658
Transfers recognised - Operational	108,944,978	125,331,362	111,953,405	108,154,221
Other revenue	12,282,000	40,154,862	16,777,123	11,162,840
Gain on disposal of PPE	0	0	0	1,713,547
Total Revenue (excluding capital transfers and contributions)	398,897,527	360,283,733	441,238,327	358,015,715

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
Financial assets exposed to credit risk at year end were as follows:		
ABSA Bank	73,660,772	27,250,235
Short term investments	103,035,295	97,722,309
Trade and other receivables	140,946,986	126,887,669

These balances represent the maximum exposure to credit risk.

49.3 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity Analysis		0 - 1 Year	2 Years	3 Years+	Total
2012					
Trade Payables		8,513,650			8,513,650
Finance Lease liability		3,124,990	1,037,497	2,887,395	7,049,882
Bank borrowings		1,268,875	0	0	0
2011					
Trade Payables		2,620,505			2,620,505
Finance Lease liability		3,270,023	4,995,714		8,265,737
Bank borrowings		1,005,833	2,500,033		3,505,866

49.4 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

49.5 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting dates. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

Sensitivity Analysis
Changes in Interest rates

Changes in the difference between the interest rates have an impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the interest rate by 1% throughout, whilst keeping all other assumptions constant:

Development Bank of South Africa Loan
Finance Lease Liabilities

Sensitivity to interest rate risk		
-1%	Base	+1%
3,548,363	3,584,205	3,620,047
4,725,239	4,772,969	4,820,699

50 COMPARISON WITH THE BUDGET

	2011 Budget R	2011 Actual R	2012 Budget R	2012 Actual R
Revenue by Source				
Property rates	37,448,001	39,333,529	40,443,841	47,814,551
Service Charges - Electricity revenue	115,806,136	112,211,547	143,898,365	136,593,011
Service Charges - Water revenue	23,758,156	0	19,882,477	0
Service Charges - Sanitation revenue	14,159,079	0	14,874,570	0
Service Charges - Refuse revenue	18,351,427	18,194,511	19,823,960	20,959,571
Rental of facilities and equipment	1,350,323	1,468,931	2,349,969	2,478,194
Interest earned - external investment	2,010,000	5,202,465	2,110,500	7,853,180
Interest earned - outstanding debtors	16,282,882	8,448,319	20,608,878	8,570,588
Fines	503,830	729,473	300,992	380,285
Licences and permits	4,764,516	8,644,085	7,882,242	7,662,959
Agency services	43,436,199	0	38,179,361	2,348,496
Property rates - Interest Imposed	0	473,753	2,109,456	2,231,616
Other service charges	0	90,895	83,188	92,658
Transfers recognised - Operational	108,944,976	125,331,362	111,963,405	108,154,221
Other revenue	12,282,000	40,154,882	16,777,123	11,162,840
Gain on disposal of PPE	0	0	0	1,713,547
Total Revenue (excluding capital transfers and contributions)	398,897,527	360,263,733	441,236,327	356,015,715

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Expenditure by Type	2011	2011	2012	2012
	Budget	Actual	Budget	Actual
	R	R	R	R
Employee related costs	104,136,917	88,819,877	109,112,345	90,219,318
Remuneration of councillors	14,404,187	14,279,120	16,412,913	15,806,373
Administration Costs	0	-8,564,918	0	-12,907,520
Debt impairment	67,326,709	57,530,578	69,002,070	28,806,820
Depreciation and amortisation	0	15,309,174	0	15,763,169
Impairment	0	2,471,135		
Repairs and maintenance	12,208,141	6,652,474	14,642,732	6,288,497
Finance costs	7,590,258	7,633,763	6,523,124	6,605,133
Bulk purchases	96,637,815	95,041,763	132,410,969	117,892,863
Contracted services	2,533,800	1,943,285	2,765,880	2,282,171
Grants and subsidies paid	8,714,313	6,267,500	9,617,512	7,279,845
Delegated management	52,092,814	0	32,260,735	0
Other expenditure	32,844,005	35,228,584	48,490,247	32,326,621
Total Expenditure (excluding Capital expenditure)	398,488,759	322,412,333	441,238,327	310,363,091

51 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: Loans and receivables

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

2012

Assets	Loans and receivables	Non financial assets	Total
	R	R	R
Property, Plant and Equipment	-	817,594,352	817,594,352
Long-term investments	224,908	-	224,908
Trade and other receivables from exchange transactions	26,633,303	-	26,633,303
Other receivables from non-exchange transactions	114,313,683	-	114,313,683
Vat	-	-	-
Cash and Cash Equivalents	176,729,059	-	176,729,059
	317,900,953	817,594,352	1,135,495,305

Liabilities	Measured at amortised cost	Non financial liabilities	Total
	R	R	R
Long-term Liabilities	1,791,684	2,133,208	3,924,892
Post employment medical benefit	-	55,918,461	55,918,461
Consumer deposits	-	8,454,429	8,454,429
Short-term Portion of Deferred Income	16,281,172	-	16,281,172
Short-term Portion of Long Term Liabilities	1,792,521	2,639,761	4,432,282
Short-term Portion of Post employment medical aid	-	1,391,000	1,391,000
Trade and other payables from exchange transactions	8,899,724	24,046,710	32,946,433
Provisions	-	18,613,729	18,613,729
Vat payable	2,401,979	-	2,401,979
	31,167,079	113,187,298	144,354,377

Net assets		1,004,341,099	1,004,341,099
	286,733,874	(299,944,045)	(13,210,171)

2011

Assets	Loans and receivables	Non financial assets	Total
	R	R	R
Property, Plant and Equipment	-	802,002,968	802,002,968
Long-term investments	224,908	-	224,908
Trade and other receivables from exchange transactions	20,313,984	-	20,313,984
Other receivables from non-exchange transactions	108,573,685	-	108,573,685
Vat	1,449,670	-	1,449,670
Cash and Cash Equivalents	124,999,536	-	124,999,536
	253,561,783	802,002,968	1,055,564,751

Liabilities	Measured at amortised cost	Non financial liabilities	Total
	R	R	R
Long-term Liabilities	2,133,584	4,772,145	6,905,729
Post employment medical benefit	-	59,881,693	59,881,693
Consumer deposits	-	7,937,497	7,937,497
Short-term Portion of Deferred Income	15,470,541	-	15,470,541
Short-term Portion of Long Term Liabilities	1,303,479	3,490,312	4,793,791
Short-term Portion of Post employment medical aid	-	1,392,768	1,392,768
Trade and other payables from exchange transactions	7,975,398	18,293,832	26,269,230
Provisions	-	17,076,816	17,076,816
Vat payable	-	-	-
	26,883,003	112,845,062	139,728,065

Net assets		928,103,867	926,103,867
	226,678,780	(236,945,962)	(10,267,182)

Loans and receivables at amortised cost			
Opening balance		253,561,783	286,733,874
Net other movements		64,339,170	(33,172,091)
Closing balance		317,900,953	253,561,783

Financial liabilities at amortised cost			
Opening balance		26,883,003	66,459,353
Net other movements		4,284,076	(39,578,350)
Closing balance		31,167,079	26,883,003

LUKHANJI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ended 30 June 2012

EXTERNAL LOANS	Interest Rate %	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
				R	R	R	R
FINANCE LEASES							
POB00039K : TRACTOR 4X4 AGRIC	Variable		2012-05-01	294,710		(294,710)	-
POB00040B : GRID ROLLER	Variable		2012-05-01	79,371		(79,371)	-
POB00021J : ISUZU FVZ 1400 TURBO	Variable		2012-02-26	156,805		(156,805)	-
POB00022H : ISUZU FTR 800 TIP	Variable		2012-02-26	99,066		(99,066)	-
POB00023E : ISUZU FTR 800 TIP	Variable		2012-02-26	99,066		(99,066)	-
POB00026X : BEEL 770 D MOTOR GRADER	Variable		2012-03-01	330,143		(330,143)	-
48519940001 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940002 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940003 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940004 : LPT 709 TON TATA DROPSIDE	12.84		2013-04-01	126,819		(65,472)	61,346
48519940005 : CHEVROLET AVEO 1.5 HATCH BASI	12.84		2013-04-01	51,050		(26,355)	24,695
48519940006 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940007 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940008 : CHEVROLET AVEO 1.5 HATCH BASI	12.84		2013-04-01	51,050		(26,355)	24,695
48519940009 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940010 : MASSEY FERGUSON 275	12.84		2013-04-01	97,621		(50,399)	47,222
48519940011 : ISUZU KB 200	12.84		2013-04-01	69,156		(35,703)	33,453
48519940012 : ISUZU KB 200	12.84		2013-04-01	72,592		(37,477)	35,115
48519940013 : ISUZU KB 200	12.84		2013-04-01	72,592		(37,477)	35,115
48519940014 : NISSAN CABSTAR UD 40	12.84		2013-04-01	223,888		(115,586)	108,302
48519940015 : ISUZU FVZ 1400 TIPPER TRUCK	13.34		2013-06-01	396,110		(184,888)	211,222
48519940016 : JCB JS200 EXCAVATOR	12.84		2013-06-01	627,857		(293,834)	334,022
48519940017 : TATA TIPPER TRUCK	12.84		2013-07-01	215,486		(96,273)	119,213
48519940018 : TATA TIPPER TRUCK	12.84		2013-07-01	215,486		(96,273)	119,213
48519940019 : LANDFILL COMPACTOR	14.90		2013-07-01	992,453		(438,170)	554,283
48519940021 : TOYOTA HILUX 3.00	12.84		2013-08-01	123,475		(52,748)	70,727
48519940022 : 15 TON FOUR WHEEL TRACTOR TR	12.84		2013-09-01	99,907		(40,870)	59,038
48519940023 : 20-25 TON FOUR AXLE LOW BED	12.84		2013-09-01	103,894		(42,500)	61,393
4052819154 : 10 ISUZU FVZ 1600 COMPACTOR C/C				1,796,805		(321,781)	1,475,023
4052819154 : 10 ISUZU FSR 750 CREW CAB F/C C/C				1,092,701		(195,687)	897,014
4052819154 : 11 TOYOTA FORTUNER 3.0 D-D4 R/B 4X4				380,465		(69,128)	311,337
4052819154 : TERM LOAN				936,963		(173,724)	763,240
4052819154 : ELECTRICITY SPARES					1,664,000	(150,326)	1,513,674
Total Finance lease liabilities				9,199,420	1,664,000	(3,813,538)	7,049,882
ANNUITY LOAN							
Development Bank of South Africa	12.00		2013-03-01	2,500,100	38,390	(1,231,199)	1,307,292
TOTAL EXTERNAL LOANS				11,699,520	1,702,390	(5,044,736)	8,357,174

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements/ Take on	Carrying Value	
	Opening Balance	Additions	Disposals/Write offs	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/Write offs	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
Land	331,573,305	-	-	-	331,573,305	-	-	-	-	-	-	-	-	331,573,305
Landfill Sites	7,538,455	100,202	-	-	7,638,657	-	-	-	-	-	-	-	-	7,638,657
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	339,111,760	100,202	-	-	339,211,962	-	-	-	-	-	-	-	-	339,211,962
Buildings	159,293,772	1,337,281	-	-	160,631,053	(10,277,018)	(5,138,509)	-	-	(15,415,528)	-	-	-	145,215,526
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	130,420,601	14,066,787	-	-	144,487,388	(11,324,504)	(4,527,738)	-	-	(15,852,242)	-	-	-	128,635,146
Electricity	90,666,957	11,824,924	-	-	102,491,881	(6,454,882)	(2,290,319)	-	-	(8,745,201)	-	-	-	93,746,680
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	221,087,558	25,891,711	-	-	246,979,269	(17,779,386)	(6,818,057)	-	-	(24,597,443)	-	-	-	222,381,826
Community Assets	738,841	724,022	-	-	1,462,863	(73,864)	-	-	-	(73,864)	-	-	-	1,388,799
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	738,841	724,022	-	-	1,462,863	(73,864)	-	-	-	(73,864)	-	-	-	1,388,799
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	720,231,731	28,063,216	-	-	748,284,947	(28,130,268)	(11,956,566)	-	-	(40,086,834)	-	-	-	708,198,114

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation				Accumulated Depreciation							Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought forward	720,231,731	28,053,216	-	-	748,284,947	(28,130,268)	(11,956,566)	-	-	(40,086,834)	-	-	708,198,114	
Other Assets														
Office Equipment	1,986,240	170,118	-	-	2,156,358	(1,401,942)	-	-	-	(1,401,942)	-	-	754,416	
Furniture & Fittings	2,498,841	75,780	-	-	2,574,621	(1,472,766)	-	-	-	(1,472,766)	-	-	1,101,855	
Bins and Containers	911,548	-	-	-	911,548	(91,155)	-	-	-	(91,155)	-	-	820,393	
Other Equipment	29,932	-	-	-	29,932	(15,981)	-	-	-	(15,981)	-	-	13,950	
Motor vehicles	211,691	-	-	-	211,691	(100,750)	-	-	-	(100,750)	-	-	110,941	
Computer Equipment	8,803,573	658,381	(95,711)	-	9,366,244	(2,748,456)	(3,797,129)	-	-	(6,545,585)	-	-	2,818,559	
Other Assets	89,804	-	-	-	89,804	(69,242)	-	-	-	(69,242)	-	-	20,562	
Game	-	2,493,300	-	-	2,493,300	-	-	-	-	-	-	-	2,493,300	
	14,531,429	3,385,579	(95,711)	-	17,831,297	(5,900,291)	(3,797,129)	-	-	(9,697,420)	-	-	8,133,877	
Finance Lease Assets														
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Motor vehicles	14,823,818	-	-	-	14,823,818	(4,845,210)	-	-	-	(4,845,210)	-	-	9,978,609	
	14,823,818	-	-	-	14,823,818	(4,845,210)	-	-	-	(4,845,210)	-	-	9,978,609	
Total	749,586,779	31,448,795	(95,711)	-	780,939,863	(38,875,788)	(15,753,895)	-	-	(54,629,464)	-	-	726,310,400	

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	331,573,305	-	-	-	331,573,305	-	-	-	-	-	-	-	331,573,305
Landfill Sites	7,538,455	-	-	-	7,538,455	-	-	-	-	-	-	-	7,538,455
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	339,111,760	-	-	-	339,111,760	-	-	-	-	-	-	-	339,111,760
Buildings	159,293,772	-	-	-	159,293,772	(5,138,509)	(5,138,509)	-	-	(10,277,018)	-	-	149,016,754
Infrastructure													
Planning	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	109,231,127	21,189,474	-	-	130,420,601	(7,018,230)	(4,306,274)	-	-	(11,324,504)	-	-	119,096,097
Electricity	88,062,565	2,604,392	-	-	90,666,957	(4,213,562)	(2,241,320)	-	-	(6,454,882)	-	-	84,212,075
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-	-	-	-	-
	197,293,692	23,793,866	-	-	221,087,558	(11,231,792)	(6,547,594)	-	-	(17,779,386)	-	-	203,308,172
Community Assets													
Recreation	738,641	-	-	-	738,641	(36,932)	(36,932)	-	-	(73,864)	-	-	664,777
	738,641	-	-	-	738,641	(36,932)	(36,932)	-	-	(73,864)	-	-	664,777
Total carried forward	696,437,865	23,793,866	-	-	720,231,731	(16,407,233)	(11,723,035)	-	-	(28,130,268)	-	-	682,101,464

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	696,437,865	23,793,866	-	-	720,231,731	(16,407,233)	(11,723,035)	-	-	(28,130,268)	-	-	692,101,464
Other Assets													
Office Equipment	1,988,240	-	-	-	1,988,240	(855,756)	(548,186)	-	-	(1,401,942)	-	-	584,298
Furniture & Fixings	2,481,008	17,835	-	-	2,498,841	(968,473)	(504,293)	-	-	(1,472,766)	-	-	1,026,075
Bins and Containers	911,548	-	-	-	911,548	(45,577)	(45,578)	-	-	(81,155)	-	-	820,393
Other Equipment	29,932	-	-	-	29,932	(11,003)	(4,878)	-	-	(15,981)	-	-	13,950
Motor vehicles	211,691	-	-	-	211,691	(71,681)	(29,069)	-	-	(100,750)	-	-	110,941
Animals	-	-	-	-	-	-	-	-	-	-	-	-	-
	14,229,987	301,442	-	-	14,531,429	(4,032,940)	(1,867,351)	-	-	(5,900,291)	-	-	8,631,138
Finance Lease Assets													
Office Equipment	11,351,259	3,472,359	-	-	14,823,618	(3,168,245)	(1,675,965)	-	-	(4,845,210)	-	-	9,978,409
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,351,259	3,472,359	-	-	14,823,618	(3,168,245)	(1,675,965)	-	-	(4,845,210)	-	-	9,978,409
Total	722,019,112	27,567,667	-	-	749,586,779	(23,808,417)	(15,287,351)	-	-	(38,875,768)	-	-	710,711,011

LUKHANJI MUNICIPALITY
APPENDIX C
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2011/06/30							2012/06/30	
IEC	-303,545.66				814.54	14,700.01		-288,031.11	Yes
Storm Relief Fund	-24,493.33		-835.56					-25,328.89	Yes
Bulk Services Levy	-925,264.61		-66,011.97	-209,602.04				-1,194,878.62	Yes
BCIG projects: Mlungisi bulkwater	-67,804.51							-67,804.51	Yes
Ekuphumleni Transfer Fees	-11,304.35		-614.85		11,919.20			-	Yes
Enkululekweni Establishment Grant	-1,446.77		-78.68		1,525.45			-	Yes
Enkululekweni Top structure	15,215.06		827.56		-16,042.62			0.00	Yes
Ekuphumleni Establishment Grant	-34,500.91		-1,876.55		36,377.46			-0.00	Yes
Ekuphumleni Top Structure	-4,523.29		-246.10		4,769.39			0.00	Yes
Ezibeleni Phase 2 Establishment Grant	7,786.87		423.53		-8,210.40			-	Yes
Ezibeleni Phase 2 Top Structure	-162.51		-8.85		171.36			-0.00	Yes
Tambo Village Top Services	5,891.46		320.44		-6,211.90			-	Yes
CMIP: Sabata Dalindyebo Services	-17,155.83							-17,155.83	Yes
BCIG Projects: Ezibeleni Sewer	-52,016.36							-52,016.36	Yes
Botha's Hoek Design Fees	-9,674.89		-526.22		10,201.11			0.00	Yes
Botha's Hoek Establishment Grant	0.97		0.05		-1.02			0.00	Yes
Ensam Design Fees	-24,321.39		-1,322.86		25,644.25			-	Yes
Botha's Hoek Top Structure	-37,840.96		-2,058.20		39,899.16			0.00	Yes
CMIP Project: Ezibeleni Bulkwater & Roads	-14,745.09							-14,745.09	Yes
Merino Walk Top Structure	22,955.16		1,248.55		-24,203.71			0.00	Yes
Shiloh Greenfields - Survey Project	-89,635.37							-89,635.37	Yes
Merino Walk Design Fees	459.29		24.98		-484.27			-0.00	Yes
Merino Walk Establishment Grant	283,679.26		15,427.99		-299,107.25			-	Yes
Formulation Ezibeleni Sites	-38,658.78							-38,658.78	Yes
McBride Establishment Grant	-1,647.02		-89.58		1,736.60			-	Yes
Who Can Tell Establishment Grant	0.43		0.02		-0.45			-0.00	Yes
Ensam Establishment Grant	-276.44		-15.04		291.48			0.00	Yes
Ensam Top Structure	-2,117.82		-115.19		2,233.01			-	Yes
Ilinge Establishment Housing Project	-58,537.96		-3,183.94		61,721.90			-	Yes
Ilinge Top Structure	-5,529.32		-300.75		5,830.07			-0.00	Yes
Imvani Establishment Grant	438.83		23.86		-462.69			-0.00	Yes
Imvani Top Structure	-215,634.11		-11,727.36		227,361.47			0.00	Yes
Sabata Dalindyebo Establishment Grant	-14.93		-0.81		15.74			-	Yes
Sabata Dalindyebo Top Structure	-9.52		-0.52		10.04			-0.00	Yes
Tambo Village Establishment Grant	-7,671.37		-417.22		8,088.59			-	Yes
Tambo Village Top Structure	-14,222.61		-773.62		14,996.23			-0.00	Yes
McBride Design Fees	211,989.78		11,530.40		-223,520.18			-	Yes
McBride Top Structure	1,132.96		61.62		-1,194.58			0.00	Yes
Who-Can-Tell Design Fees	9,301.54		505.92		-9,807.46			-0.00	Yes
Who-Can-Tell Top Structure	-268,223.71		-14,608.99		282,832.70			-	Yes
Poplar Grove Establishment Grant	-7,946.49		-432.22		8,378.71			-	Yes

LUKHANJI MUNICIPALITY
APPENDIX C
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2011/06/30							2012/06/30	
Poplar Grove Top Structure	-908,842.24		-49,432.42		958,274.66			-	Yes
Poplar Grove Design Fees	-66.47		-3.62		70.09			-0.00	Yes
Interest on Housing Projects	-46,247.73		-2,515.48		48,763.21			0.00	Yes
Interest on Projects Infrastructure	-2,777.67		258.72		2,518.95			0.00	Yes
MIG Funds	-4,479,239.50			-26,480,000.00	1,155,845.29	23,355,838.50		-6,447,555.71	Yes
MIG retention fund	-33,821.70							-33,821.70	Yes
llinge registration fee	-59,937.24		-3,260.03		63,197.27			-	Yes
Sabata : Project Link	-496,220.33		-27,133.54		523,353.87			-	Yes
MIG - Interest	-66,180.96							-66,180.96	Yes
Sinthemba Organization	-8,237.87				1,376.00			-6,861.87	Yes
Nomzamo Project Linked Housing	10,329.93		561.75		-10,891.68			0.00	Yes
Nomzamo Top Structure	-17,805.01		-968.48		18,773.49			0.00	Yes
Sabata Top Structure	-6,904.32		-380.91		7,285.23			0.00	Yes
Dept of National Health (Attic)	-164,646.29			-2,444,677.49				-2,609,323.78	Yes
UPGRADE ELECTRICITY NETWORK 1.5c/kw	-783,294.13		-29,994.90			813,289.03		-	Yes
Hydraulic Analysis Sewerage	-4,348.00							-4,348.00	Yes
Fire Services	-285,471.69				-27,809.02			-313,280.71	Yes
LED PROJECT - RESOURCE GROUP	-528,721.74			-284,648.49				-813,370.23	Yes
Mendi Educare Centre	-12,907.69		-702.06					-13,609.75	Yes
CMIP Project: Enkululekweni Housing	-36,270.27							-36,270.27	Yes
CMIP Project: Shiloh Bede Free Basic Water	-51,109.60							-51,109.60	Yes
Rural Water Scheme	-12,390.36							-12,390.36	Yes
Planting of Grass - BRFU	-4,085.28							-4,085.28	Yes
Ner: Ezibeleni Infra Upgrade Phase 2	82,521.42							82,521.42	Yes
Eskom (Sabata Dalindyebo)	-139,262.87							-139,262.87	Yes
Electricity Grant				-1,000,000.00		1,000,000.00		-	Yes
VARIOUS PROJECTS - CHDM WATER	-410,062.25							-410,062.25	Yes
Free Basic Services	-63,512.18							-63,512.18	Yes
Completion of Zoning Scheme	-6,264.35							-6,264.35	Yes
Financial Management Grant	-727,459.61			-1,500,000.00	2,182,939.47	44,520.14		0.00	Yes
SMALL MICRO STRATEGY & HAWKER	-66,174.80							-66,174.80	Yes
Laurie Dashwood Park Settlement Planning	-22,551.75							-22,551.75	Yes
Preparation of Structure Plan	-90,900.19							-90,900.19	Yes
Integrated Development Plan	6,372.37				-6,372.37			-	Yes
MSP Funds	-208,740.79					26,785.48		-181,955.31	Yes
Nomzamo Planning	-29,791.92		-1,620.41		31,412.33			0.00	Yes
MIG Counterfunding	-621,301.09				8,992.00			-612,309.09	Yes
Service: Informal Settlements	-82,487.22							-82,487.22	Yes
Survey & Planning: Ext 2 Whittlesea	-44,147.89							-44,147.89	Yes
Unknown Allocation	-226,534.55							-226,534.55	Yes
Survey of Laurie Dashwood Park	-2,394.37							-2,394.37	Yes

LUKHANJI MUNICIPALITY
APPENDIX C
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2011/06/30							2012/06/30	
Township Register 1	-40,332.46		-1,268.53					-41,600.99	Yes
Tylden Irrigation Scheme	-6,167.09							-6,167.09	Yes
LGW Seta - Training	-2,429.88			-471,816.23	275,210.58			-199,035.53	Yes
Rags to Riches	-32,171.05							-32,171.05	Yes
Township Register 2	-45,133.36		-1,338.08					-46,471.44	Yes
DBSA : Hand Held Terminals	-15,000.00							-15,000.00	Yes
Valuation Fund	-27,475.43							-27,475.43	Yes
George Hartley Bequest	-66,357.37		-913.31					-67,270.68	Yes
Oliver Barnes Bequest	-4,019.64		-430.26					-4,449.90	Yes
P B Arnold Bequest	-11,668.38		-1,291.29					-12,959.67	Yes
W Tregarten Bequest	-5,271.40		-508.84					-5,780.24	Yes
Mendi Memorial Creche	-14,043.20		-1,463.86					-15,507.06	Yes
Rowell Old Age Home	-2,196.54		-237.29					-2,433.83	Yes
Cemetary Maintenance Perguity	-16,459.21		-1,702.06					-18,161.27	Yes
Estate Late Macrae	-1,351.24							-1,351.24	Yes
Queenstown Rhino Funds	-193,895.11		-10,543.12		1,400.00			-203,038.23	Yes
Planning of Shiloh Greenfields	-119,796.20				117,112.50			-2,683.70	Yes
Brakkloof Settlement Planning	-40,355.36				39,037.50			-1,317.86	Yes
Whittiesea Ext 4 Roads & Stormwater	-383,407.58							-383,407.58	Yes
Computerized Library System	-189,325.03					14,625.00		-174,700.03	Yes
Development of Integrated Spatial Info System	-821,688.68							-821,688.68	Yes
Municipal Systems Improvement Program	-968,032.75			-790,000.00	1,733,783.75	24,249.00		-	Yes
Rathwick Electrification	-132,002.03							-132,002.03	
Total	-15,470,541.49	-	-209,738.18	-33,174,744.25	7,279,845.05	25,294,007.16	-	-16,281,171.71	