

SAKHISIZWE ANNUAL REPORT



2011 / 2012

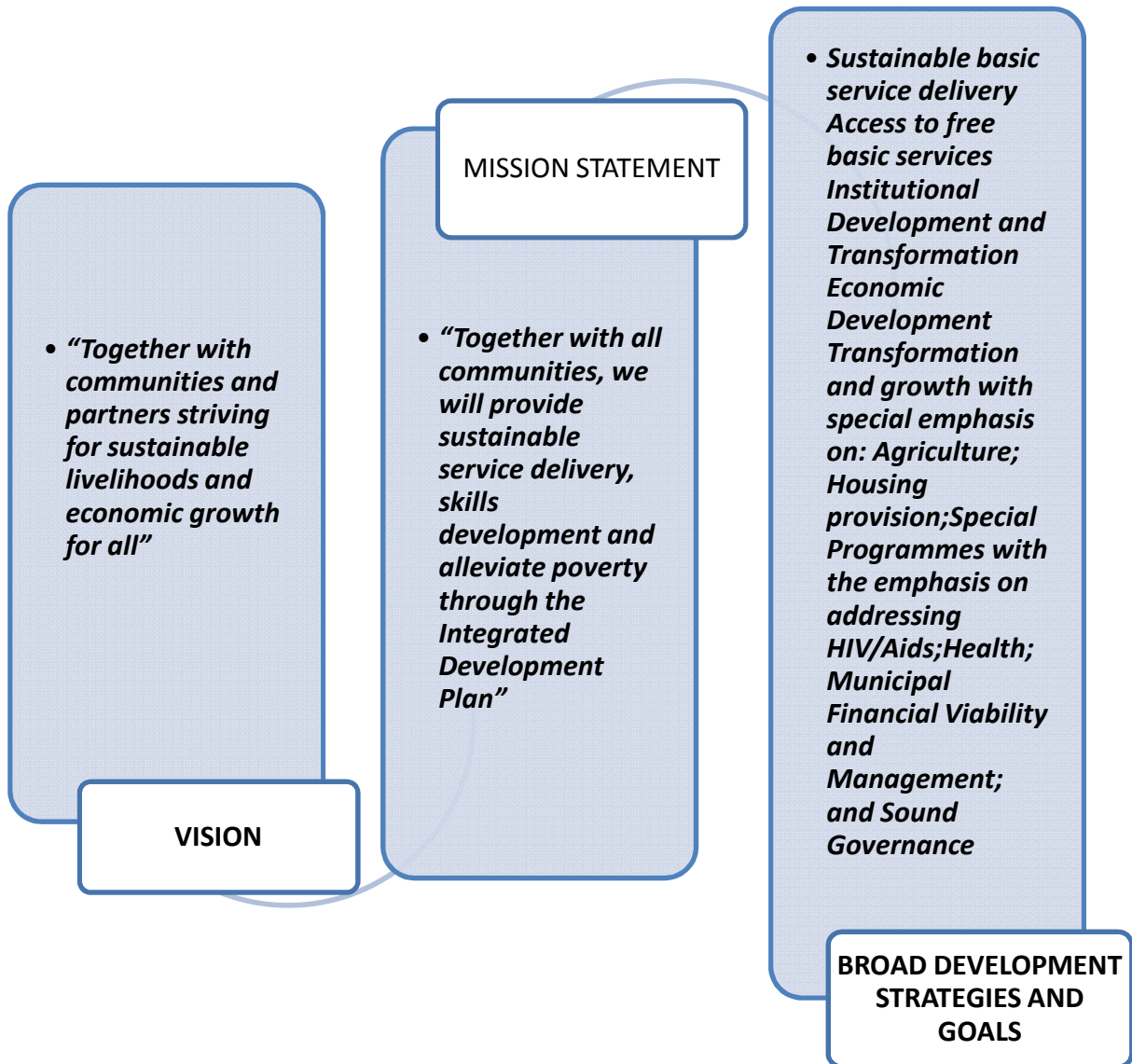


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CHAPTER 1

MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.1 Mayor's Foreword

When we took over the political administration from the previous Council, my political colleagues and I knew that it was to be a journey worth travelling. We made a commitment that this journey should be about realizing a dream of a better life for all our people in our municipality. We committed to achieving the following development priorities:

- Service Delivery
- Local Economic Development and Growth
- Financial Viability
- Good Governance and Public Participation, and
- Municipal Institutional Development and Transformation

In this journey we continue to remain guided by both the country's Constitution (particularly Chapter 7 on Local Government, and Chapter 3 on Cooperative Governance).

Cooperative Governance remain(ed) key in all our plans, thus we further committed to the realization of the Eastern Cape Provincial Growth and Development Plan (EC PGDP). PGDP has the following main goals:

- Poverty Eradication
- Agrarian Transformation and Food Security
- Infrastructure
- Manufacturing Diversification and Tourism
- Human Resource Development and
- Public Sector and Institutional Transformation

In this journey, thus far, we have pointers that convince us that we are headed in the right direction in achieving some of the goals enunciated above, and in our plans and strategies.

Some of our successes are as follows:

1. In dealing with water provision in some of our needy villages, the SEPLAN Water Supply project was handed over to the villages that make up SEPLAN
2. In collaboration with the district municipality, Chris Hani District, we implemented a sanitation project
3. In putting electricity to villages, the municipality facilitated Planning by Eskom to install electricity in 13 villages. These villages will soon have electricity

During this financial year, the municipality met targets in implementing a lot of capital projects. The following are some of such capital projects:

- Cala roads & storm water project phase 2 , worth R3, 197,989.67
- Ward 5 Community hall, worth R1 816 450.01

- Old Location Community Hall, worth R1 809 352.14

In spite of these successes, the municipality is faced with (and is trying to deal with) the following challenges:

- Creation of sustainable jobs
- The majority of our citizens are young people, and are without Grade 12. This not only does it limit their access to jobs, but limit their access to most institutions of higher learning.
- Citizen participation on matters of governance is still at undesirable levels. In the next financial year there will be better and improved methods in creating an interest on citizens to participate on all municipal activities such as Water Management Awareness, IDP Reviews, etc.

In closing, I would like to thank Council Members for their commitment in realizing the goals of improving the lives of our people. I would further thank the hard working managers (and their teams) who, in spite of all challenges, continue to pay attention to the task at hand. Yes, we do have challenges, but these are not what we focus on, but what we built energy on and recommit to working extra hard

1.2 Municipal Manager Foreword

The recently released Census 2011 indicates that compared to Census 2001 and Community Survey 2007, the population and households in our municipality have increased. This sturdy increase has put more pressure on the resources of the municipality. As such, unemployment levels in our municipality continue to be higher than the levels desired by the municipality. Following high unemployment levels has been high poverty levels, which are exacerbated by high levels of inequality.

The above notwithstanding, the municipality continues to offer all the required services mandated by Section 155/156 of the Constitution. Section 155 (4) demands of the municipality “ ... to provide municipal services in an equitable and sustainable manner”, while Section 11 (2)(f) of Municipal Systems Act emphasizes this point by stating that, one of the functions of the municipality are “Providing municipal services to the local community or appointing appropriate service providers in accordance with the criteria and process set out in section 78”. In executing this mandate, the municipality cooperates with other spheres of government such as District Municipality and Provincial departments.

Census 2011 does point to the fact that the municipality is doing all possible in providing basic services to the citizens, e.g. water, electricity, etc. while backlogs continue to loom large. To deal with such challenges, (as reported in the previous financial year already) the following are some of the key priorities to be attended to in the next financial year: Finalizing the audit of all municipal properties and reduction of backlogs of RDP housing and the list of commonages;

- Issues with SARS in respect of VAT reconciliations and outstanding refunds are to be resolved;
- Improvements in record keeping and accuracy levels of leave data;
- Improving systems and controls (in all departments)
- Improving Service Providers performance reporting and the provision of a capital commitments register;
- Improvements in reporting data, specifically the accuracy of statistical data is required;
- The improvement of the manner in which the Service Delivery and Budget Implementation Plan is constructed. This is required to be aligned to both Budget and IDP, and presented with well-constructed targets;
- Departmental SDBIP reporting;
- Performance is required to be effectively assessed at both an individual and at an institutional level; and
- A re-written IDP is required, that accurately reflects the required data and targets with the required clear financial plans.

Trying to achieve the above in the previous financial year got constrained by the fact that, amongst other things, the municipality did not have a Community Services Manager and later in the year (2012) Technical Services Manager, and their responsibilities were given to other Section 57 Managers – so that work does not stop.

In pursuing our endeavours – services delivery to the communities - the municipality will continue to implement the system of performance assessment. It must however be noted that while a system for performance assessment and management is provided for, others may simply treat it as an issue of compliance rather than treat it as a very necessary part of our day-to-day functioning. Moving forward it is hoped that this will become part of the municipality's day-to-day operational focus.

As it is noted in our previous Audit Report, the municipality still needs to entrench the culture of observing generally accepted accounting principles and procedures.

Going forward, it will be one of my key priorities to ensure that we obtain a clean audit (while continuing to improve services to our people). I will continue to state that our colleagues do work hard in implementing the plans laid down by Council.

Having said that I must take this opportunity to acknowledge hard work put in generating revenue for this municipality (better than the previous financial year). The fact is, the healthier the municipality is financially, the better for provision of sustainable services to the people. Our current revenue is R67,274,66, compared to R54,716,284 of the previous financial year, while other forms of income this year amounted to R13,956,522 compared to R3,295,762 in the previous financial year. We have a surplus of R5,307.553 as compared to the previous year deficit of R3.171.160.

These successes are what we should build on in dealing with financial challenges. However, these successes may be thwarted in a long run by the fact that as a municipality we are still to develop a Risk Assessment Plan - that which should prevent nefarious practices such as fraud and corruption – stealing from the public coffers.

Let me take this opportunity and place on record my sincere thanks and appreciation to my management staff and staff throughout the municipality. Without your efforts and support, we would never have made the progress that we have thus far made. Let us all continue to do the good work that we are employed to do

1.3 Municipal Overview

1.3.1 Local Context

Sakhisizwe Local Municipality is classified, in terms of Municipal Structures Act, as Category B municipality, falling under Chris Hani District (Category C municipality). The municipality is made up of nine (9) wards, spread between two main towns, Cala and Elliot, including their surrounding villages and farms. The total surface area of the municipality is 2 355km².

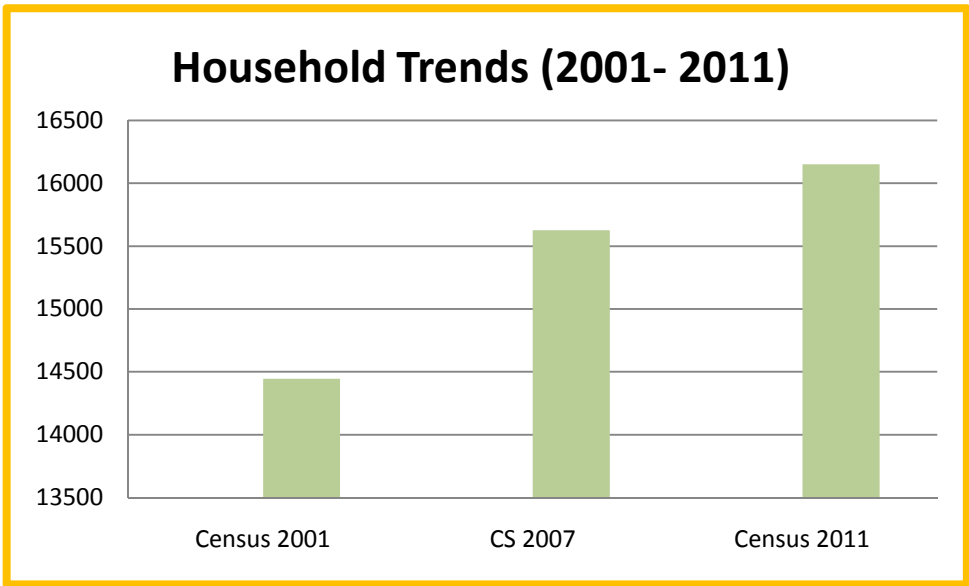
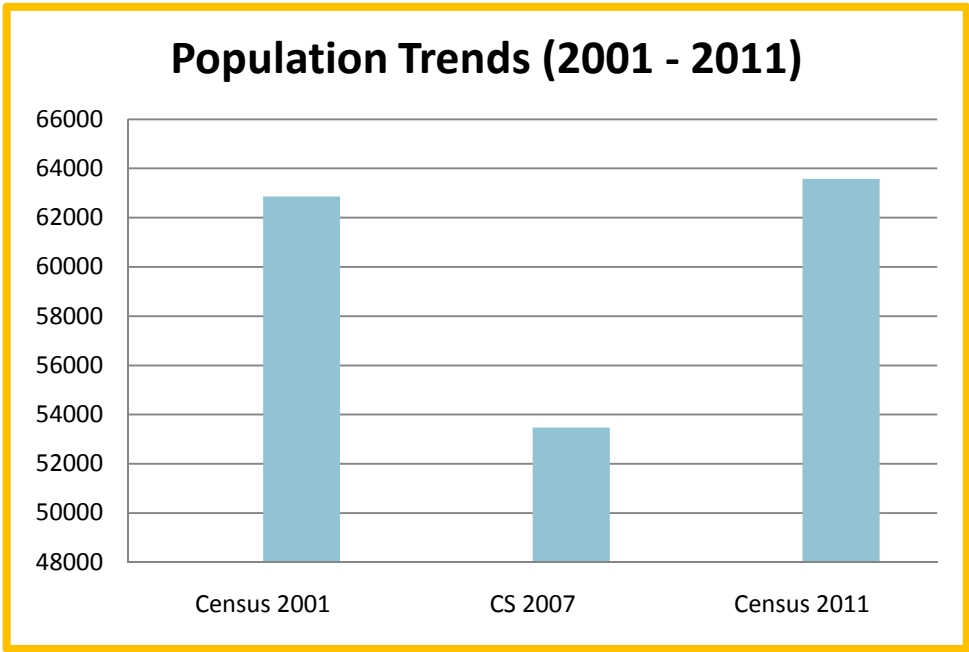


1.3.1.1 DEMOGRAPHICS

A. Population

In terms of Census 2011, the population of Sakhisizwe Local Municipality is estimated at 63 582, living in about 16 151 households. This is a steady increase from the estimates of Community Survey (CS) of 2007.

This population is made up of 97.7% Black Africans, 0.8 % of Coloured people, 1.1% of Whites and 0.2% Indians/Asians.



Accommodating this ever increasing population is one of the challenges facing the municipality. As accommodating people is one of the key priorities of government, Sakhisizwe Local Municipality, in partnership with other spheres of government, is committed to accommodating this population in brick/concrete houses. However, the municipality still remains largely rural. As such, citizens in the rural communities continue to build their houses from traditional materials.

Table 1. Census 2011¹: Type of main dwellings

	Black African	Coloured	Indian or Asian	White
EC138: Sakhisizwe				
House or brick/concrete block structure on a separate stand or yard or on a farm	7 835	94	32	214
Traditional dwelling/hut/structure made of traditional materials	4 840	3	4	5
Flat or apartment in a block of flats	1 287	6	4	7
Cluster house in complex	66	1	-	2
Townhouse (semi-detached house in a complex)	111	1	-	3
Semi-detached house	29	-	1	1
House/flat/room in backyard	554	-	1	1
Informal dwelling (shack; in backyard)	297	1	-	1
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	487	-	-	-
Room/flatlet on a property or larger dwelling/servants quarters/granny flat	48	-	-	1

The population at this municipality largely stays at houses that are not rented, largely because the majority of citizens still live in rural areas where they either own their own houses or live on family owned plots/land.

Table 2. Census 2011: Tenure status

	Black African	Coloured	Indian or Asian	White
EC138: Sakhisizwe				
Rented	1 624	22	27	63
Owned but not yet paid off	1 387	3	6	45
Occupied rent-free	5 065	11	8	29
Owned and fully paid off	5 062	65	3	95

B Gender and Age distribution

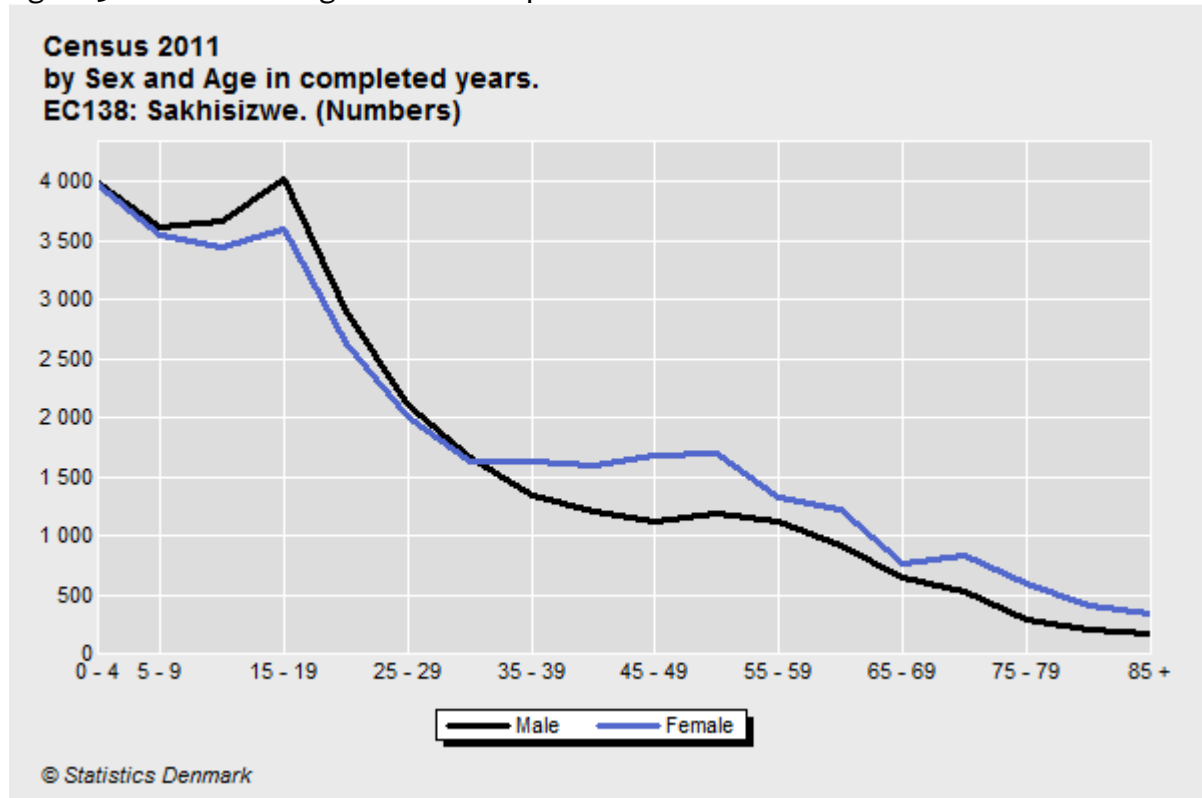
Females are a majority in the municipality, in spite of the fact that certain categories, i.e. Indians/Asians and Coloured people, have more male than female representation. This may be attributed to the fact that these categories are of people who come to Sakhisizwe Municipality to work/or run business than establish families.

Table 3. Census 2011: Gender distribution

	Black African	Coloured	Indian or Asian	White
EC138: Sakhisizwe				
Male	29 879	244	78	339
Female	32 250	239	45	374

¹Statistics South Africa Census 2011, released in October 2012

Figure 3. Census 2011: Age Distribution per Gender

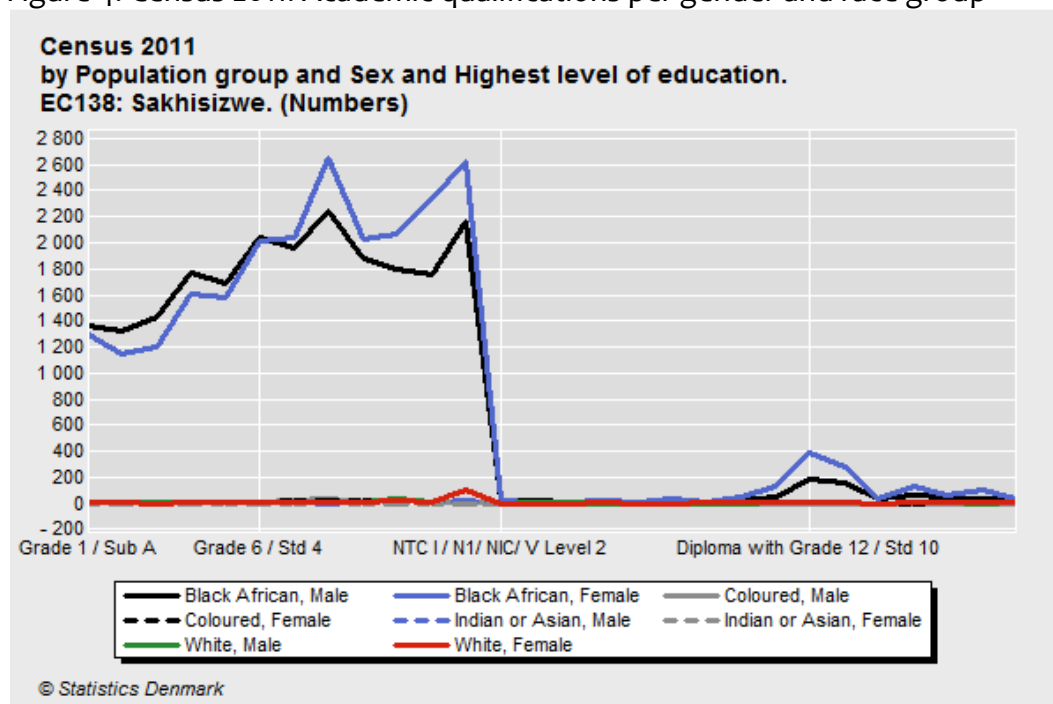


C. Academic profile in the municipality

Females, across all race groups beyond grade 6 (standard 4) tend to be academically qualified than their male counter parts.

Sadly, fewer citizens progress beyond grade 12 academic qualifications. This does justify the call for the establishment of an FET College at Sakhisizwe.

Figure 4. Census 2011: Academic qualifications per gender and race group



D. Employment, income & poverty distribution

As elucidated above, the largest percentage of working adults in the municipality are females. This group is largely employed either in a municipality or work as domestic workers.

The major contributing sectors to employment in the municipality are community services department and domestic work services, followed by agriculture and trade².

Unemployment levels are currently at 36%, with Human Development Index (HDI) levels recorded at 0.40 in 2009, meaning there is strained human development in the municipality. (Note: HDI is defined as a summary composite index that measures average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living, with zero (0) pointing to no human development, while one (1) points to complete human development.)

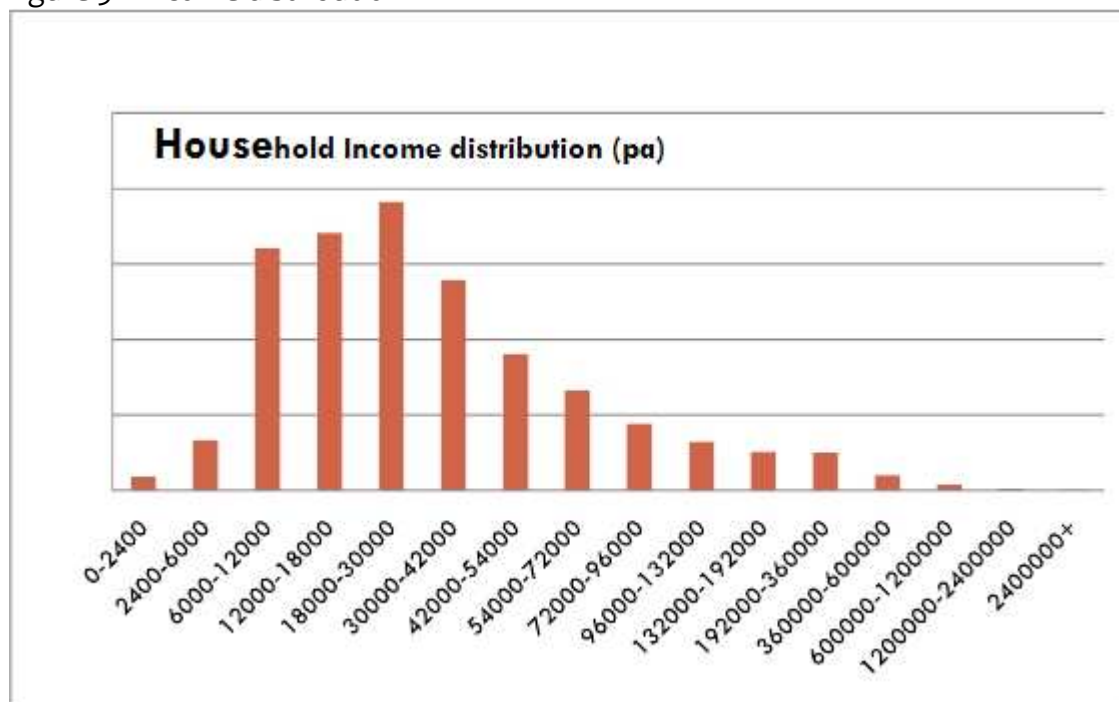
So long as levels of unemployment, poor education for citizens and poverty persists, HDI will remain low in Sakhisizwe.

The latest Gini index for the municipality is 0.59. Gini index (Gini ratio or Gini coefficient) is defined as a standard economic measure of income inequality, based on Lorenz Curve. A society that scores 0.0 on the Gini scale has perfect equality in income distribution. A number above 0.0 indicates that there is inequality. A score of 1.0 indicates total inequality. This therefore implies that Sakhisizwe has high levels of inequality.

² Sakhisizwe Integrated Development Plan Review, 2011

The graph below accentuates these high levels of income distribution in the municipality.

Figure 5³: Income distribution



1.3.1.2 Municipal Services

Despite challenges of inequality and human development stated above, the municipality is trying all in its power to deliver the most basic of services to the citizens e.g. water, electricity, etc., services of which the most downtrodden in the municipality may not survive without.

Water

Table 4. Census 2011: Access to water

EC138: Sakhisizwe	
Piped (tap) water inside dwelling/institution	2 886
Piped (tap) water inside yard	4 432
Piped (tap) water on community stand: distance less than 200m from dwelling/institution	5 142
Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution	1 299
Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling/institution	612
Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution	265
No access to piped (tap) water	1 516

³Sakhisizwe Local Municipal IDP, 2012 - 2013

Table 5. Census 2011:Source of water	
EC138: Sakhisizwe	
Regional/local water scheme (operated by municipality or other water services provider)	10 033
Borehole	1 592
Spring	924
Rain water tank	162
Dam/pool/stagnant water	559
River/stream	1 483
Water vendor	43
Water tanker	760

Refuse Removal

As the majority of citizens live in informal settlements and/or rural communities, they manage their own refuse, while the municipality continues to provide refuse removal for those citizens in formal settlements.

Table 6. Census 2011:Access to Refuse Removal systems	
EC138: Sakhisizwe	
Removed by local authority/private company at least once a week	2 341
Removed by local authority/private company less often	188
Communal refuse dump	433
Own refuse dump	9 957
No rubbish disposal	2 899

Sanitation Services

Those who are in areas where there is formal water and sanitation infrastructure, the municipality installs flush toilets, while it (municipality) continues to build hygienic pit toilets where there is no water and sanitation infrastructure

Table 6. Census: Types of toilet facilities	
EC138: Sakhisizwe	
Flush toilet (connected to sewerage system)ity	3 268
Flush toilet (with septic tank)	523
Chemical toilet	684
Pit toilet with ventilation (VIP)	3 174
Pit toilet without ventilation	4 660
Bucket toilet	313

Electricity

The municipality strives for the electrification of every legal settlement. In households where the municipality has not installed electricity, candles are largely used for lighting.

Table 8. Census 2011:Types of energy or fuel for lighting	
EC138: Sakhisizwe	
Electricity	12 779
Gas	51
Paraffin	1000
Candles	2 225
Solar	42

1.3.3 Organizational Development

NOTE: Reference is made to Annexure A, which provide the detailed organogram for Sakhisizwe Municipality for 2011/2012.

Analysis and comparison between the currently approved organogram and current staff complement would indicate that:

- A total of 176 staff positions for the organization were approved for 2011/2012 compared to 164 positions in 2010/2011. The total number of approved but vacant positions was 39 at 30 June 2011.
- During 2011/2012, the following 557 managers were in possession of employment contracts and performance agreements:
 - Municipal Manager
 - Corporate Services Manager
 - Chief Financial Officer
 - Technical Services Manager
 - IPED Manager
 - Community Services Manager

The position of Community Services Manager has been incorporated into the functions of a Community / IPED Manager, and the appointment of the Community Services Manager facilitated effective functioning within this position.

1.3.4 Auditor General's Report

1.3.4.1 Previous Financial Year's Audit Opinion

The detailed report of the Auditor General (AG) is found in Chapter 6 of this report. In terms of this (AG) report, the municipality obtained a Qualified Audit Opinion.

AG writes a Qualified Audit Opinion when:

1. An institution did not comply with generally accepted accounting principles, but the rest of the financial statements fairly presented
2. The financial statements are fairly presented with a certain exception which is otherwise misstated

The municipality was found not to comply with generally accepted accounting principles to an extent that the following factors were noted (read Chapter 6 for detailed information):

- a. unauthorized expenditure
- b. irregular expenditure
- c. fruitless and wasteful expenditure
- d. material impairment

1.3.4.2 Measures at mitigating risks

The municipality welcomed the report of the AG and committed to dealing with the following:

- Irregular and un authorized expenditure disclosure and prevention;
- Disclosure of contractual commitments for the acquisition of property, plant and equipment;
- Staff leaves are to be audited;
- Fruitless and wasteful expenditure is to be minimized;
- Material impairments are to be minimized;
- Performance targets are to be met while explaining variances within all developmental priorities;
- There is to be alignment between the IDP, SDBIP and Budget;
- Performance reporting is to occur as per stipulated timeframes and in accordance with required procedures;
- Effective Audit Committee functioning will be put in place;
- Supply Chain Management processes and practices are to be strictly applied for all procurements and expenditure conducted; and
- Oversight accountability in respect of leadership will be implemented.

Chapter 6 explains how the municipality will deal with each point raised by the AG Report in in order to minimize Risks.

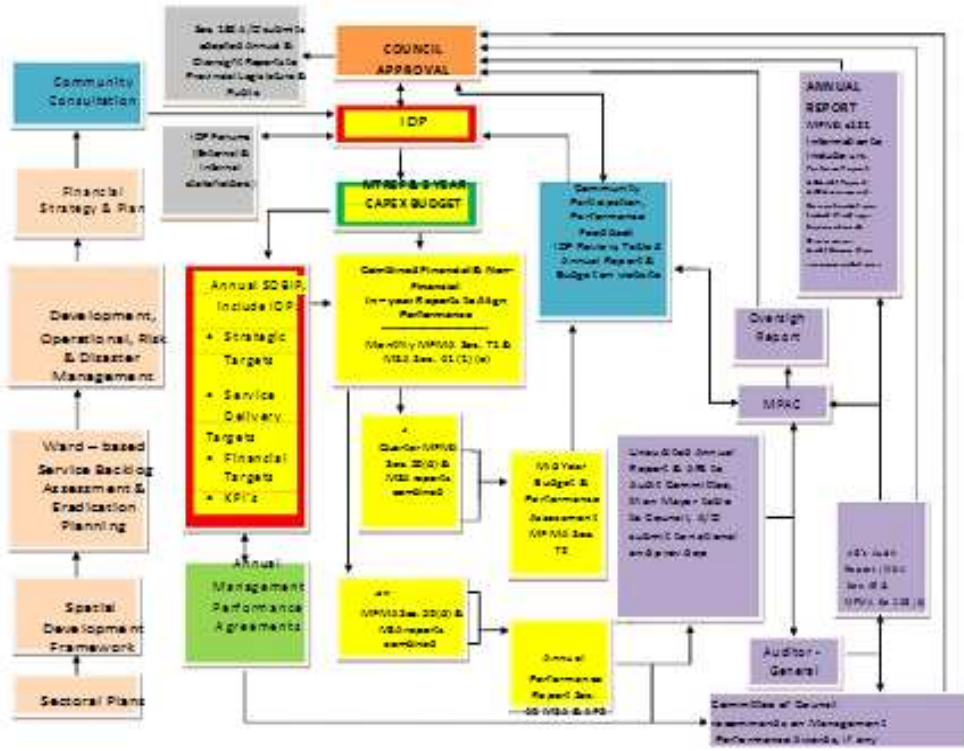
1.3.5 Statutory Annual Report Process

Municipal Systems Act (MSA), section 46 and Municipal Finance Management Act (MFMA), section 121, demand that Sakhisizwe Local Municipality, like all other municipalities and municipal entities, prepare an annual report.

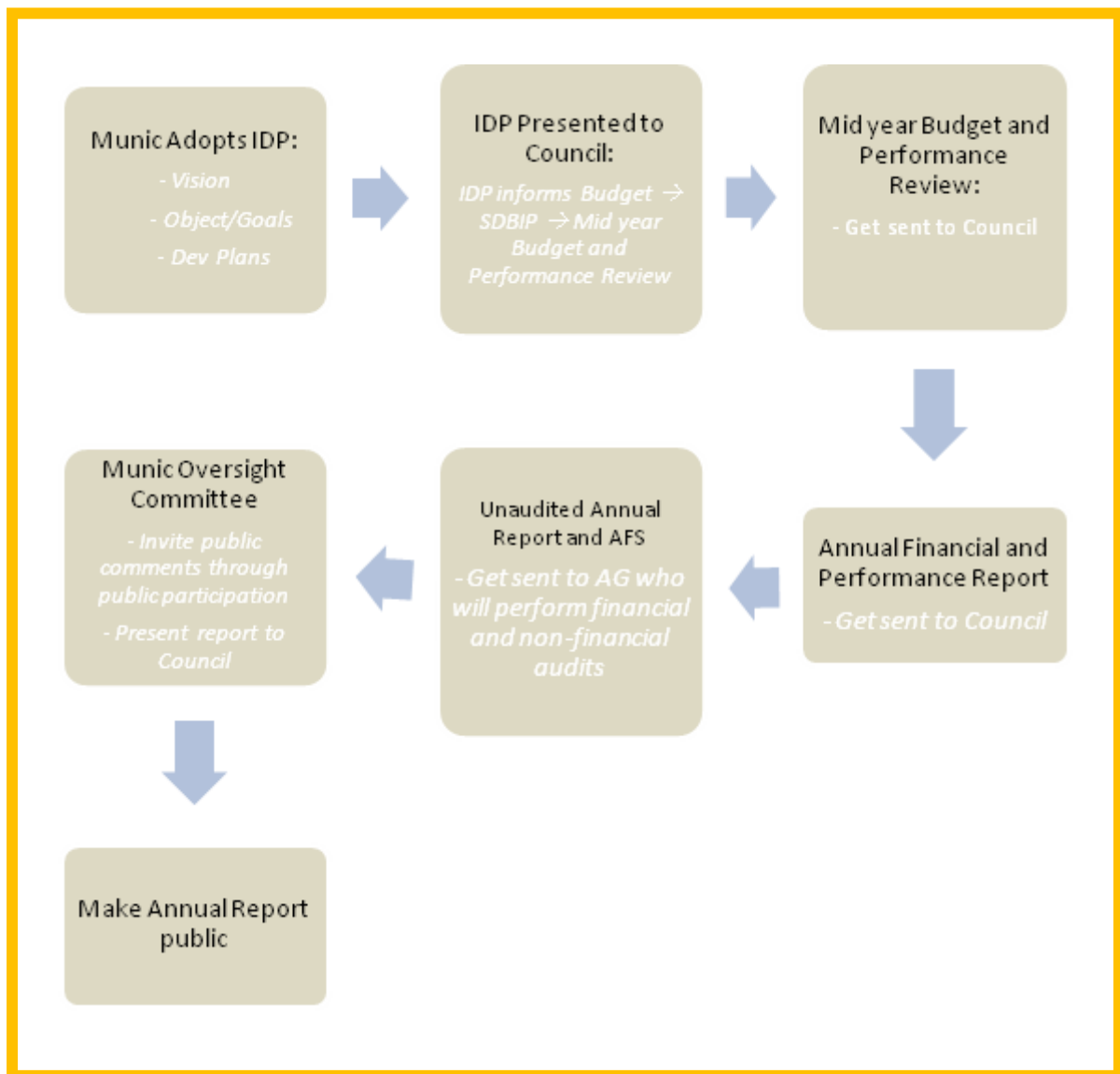
The purpose of the annual report, per the aforementioned pieces of legislation, is:

- to provide a record of the activities of the municipality or entity during the financial year to which the report relates;
- to provide a report on performance in service delivery and budget implementation for the financial year;
- to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity; and
- to reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions.

Circular 63 of MFMA gives the following diagrammatic representation of the Annual Report Process:



Another visualisation of the above is as follows:



This 2011 – 2012 Annual Report will be organised as follows:

- Chapter 1: Mayor's Foreword and Executive Summary;
- Chapter 2: Governance;
- Chapter 3: Service Delivery Performance;
- Chapter 4: Organisational Development Performance;
- Chapter 5: Financial Performance;
- Chapter 6: Auditor General's Findings;
- Appendices; and
- Volume II: AFS

CHAPTER 2



Governance

2.1 Component A: Governance Structure

2.1.1 Political Governance Structure

As per the Municipal Structures Act, Act No. 117 of 1998, Sakhisizwe Municipality is required to function as an Executive Council System, albeit with a different structure. Special permission was obtained from the local Government MEC to have a full-time Mayor, full time Speaker and four Councillors who form part of the new Exco (Executive Committee).

The Executive Committee functions in a manner that ensures that Council business runs smoothly. In an effort to improve the decision-making ability of Council, recommendations from various Council Committees are forwarded to a full Council meeting to ensure that a final decision is made. In the Committee Meetings (for example Finance and Admin Standing Committee), a single focus perspective of the issue may be obtained. In the case of the Council meeting, the report is presented to a broader group for thorough analysis and adoption.

It is noted that the majority of Council decisions are based on Exco recommendations and at times Exco may make final decisions independently on routine issues (and report to Council later). Where these issues are non-routine, the issue will be debated by full Council where upon a final decision will be made.

As a democratically elected Category B Municipality, Sakhisizwe Municipality's Council is made up of elected Ward Councillors and Proportional Representative Councillors.

Councillors are elected for a period of five (5) years. This Council has been in office for the period 2011 – 2016. In terms of the functional structure of Council and through the operational nature of Standing Committees, Councillors are required to make informed decisions regarding the running of the organization within the areas of: Community Services; IPED Services; Corporate Services; Budget and Treasury, Technical Services and issues relating to the Municipal Managers office.

A. Executive Councillors (2011 – 2016)



M.S Jentile
Honourable Mayor



S Ntakana
Finance & Admin



M. Mxhonywa
Infrastructure



N. Stofile
Social Needs



N. Mananga (SPEAKER)

B. Standing Committees

As per s79 and s80 of the Municipal Structures Act, (Act 32 of 2000) and s160 of the Constitution, Standing Committees have been established as follows:

- Finance/Admin , Governance and SPU
- Infrastructure/IPED
- Social Needs

Standing Committees meet monthly, and are made up of politicians from different political parties (depending on seats various parties have, seats of which may enable or disable a political party from having representation in committees. This means if the party has one seat in the Council, that party may not manage to be represented in all committees).

Additionally an Oversight Committee had been established during the preceding financial year. This Committee is required to provide financial oversight and control on all administrative matters regarding the running of the organization

C. Portfolio Committee members

Finance and Admin standing Committee

Councillor S. Ntakana (Chairperson)	
Councillor S. Suka	Councillor Doda
Councillor N. Mahlombe	Councillor M. Andrews

Social and Community Needs Standing Committee

Councillor Stofile (Chairperson)	
Councillor T. Hoza	Councillor Jam- Jam
Councillor S.Bavuma	Councillor B. Ponoshe

Infrastructure and IPED Standing Committee

Councillor M. Mxhonywa (Chairperson)	
Councillor Z. Mose	Councillor N. Ngondo
Councillor Dyonase	Councillor M. Tshona

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Chairperson: Cllr Suka

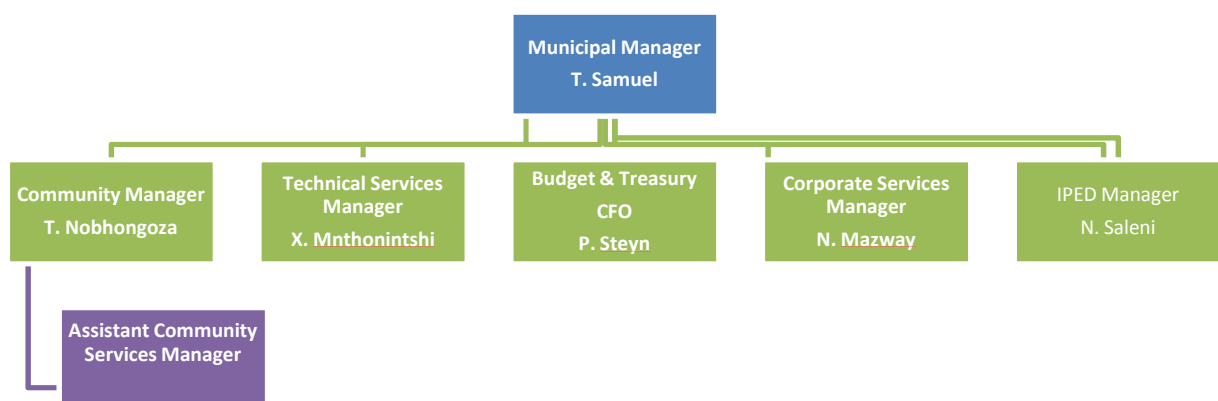
Cllr Ngondo	Cllr Ponoshe	Cllr Doda	Cllr Bavuma
	Cllr Dyonase	Cllr Andrews	

Sakhisizwe Local Municipality Council

Name	Ward	Party	Portfolio
Mayor Mr Jentile	PR	ANC	Portfolio: Finance, Admin
Chief Whip: Cllr: M Mxhonywa	PR	ANC	Portfolio: Infrastructure
Speaker: Cllr N Mananga	PR	ANC	Portfolio: Council Speaker
Cllr: S Ntakana	1		Portfolio: Finance, Admin
Cllr N Stofile	PR	ANC	Portfolio: Social Needs
Cllr T Doda	2	ANC	Portfolio: Finance, Admin
Cllr: T Hoza	3	ANC	Portfolio: Social Needs
Cllr: N Ponoshe – Razilane	3	ANC	Portfolio: Social Needs
Cllr Z Mose	5	ANC	Portfolio: Infrastructure
Cllr T Jam-Jam	6	ANC	Portfolio: Social Needs
Cllr: S Suka	PR	ANC	Portfolio: Finance, Admin
Cllr: M Mahlombe	7	ANC	Portfolio: Finance, Admin
Cllr: F Ngondo	8	ANC	Portfolio: Infrastructure
Cllr: M M Tshona	9	ANC	Portfolio: Infrastructure
Cllr: Z Dyonase	PR	ANC	Portfolio: Infrastructure
Cllr: M J Andrews	PR	DA	Portfolio: Finance, Admin
Cllr: S Bavuma	PR	COPE	Portfolio: Social Needs

2.1.2 Administrative Governance Structure

The structure below depicts the current administrative structure of Sakhisizwe Municipality.



The functional structure of the municipality consists of four departments, reporting to the Municipal Manager.

These are referred to as:

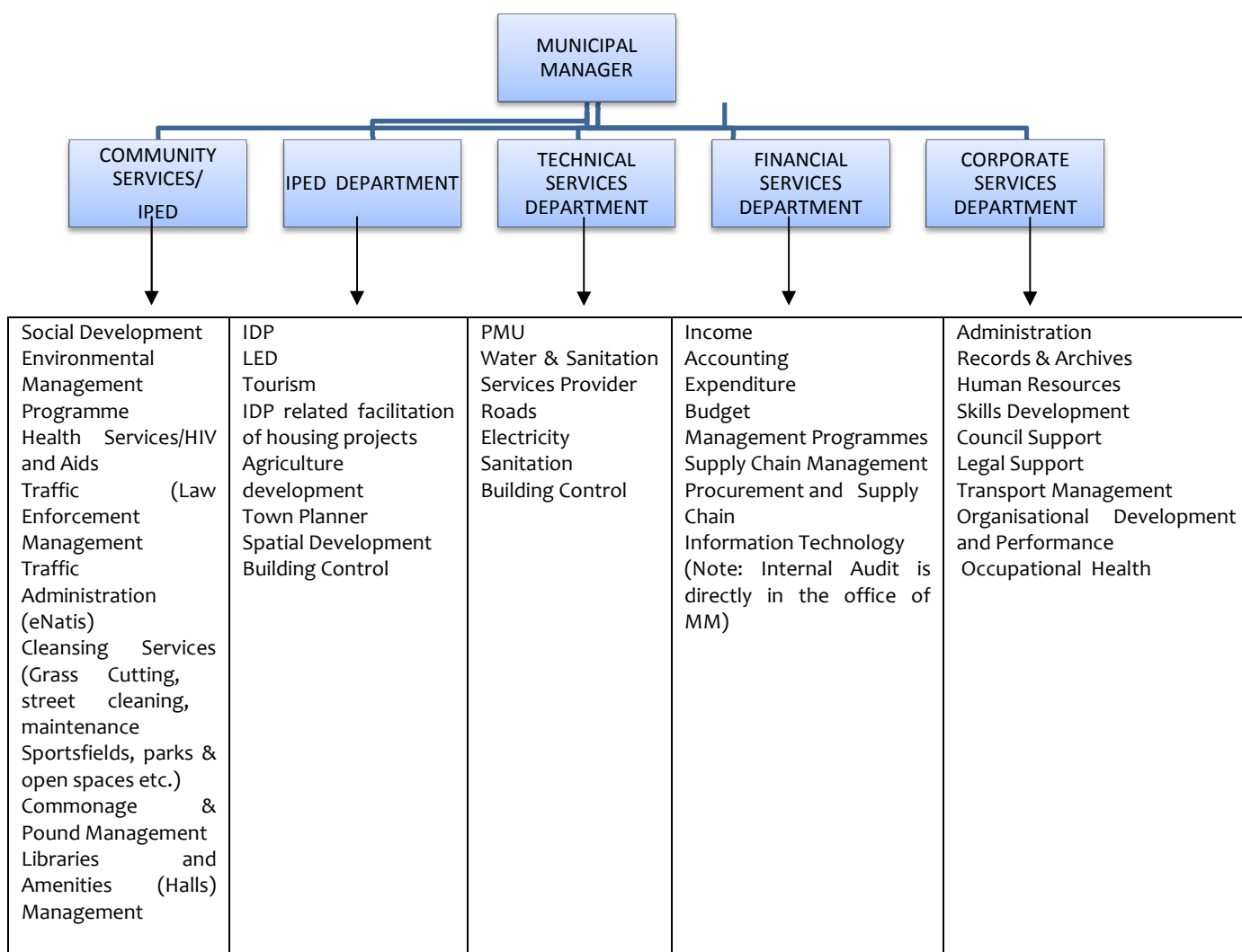
- Community
- IPED
- Technical Services
- Budget and Treasury, and
- Corporate Services

Appointment has been made to the position of Community Services Manager (vacant for the past 4 years). The absence of an appointed Community Services Manager in the past has resulted in the Community Services department being treated as a split management function (shared between the Technical and IPED divisions). It has been acknowledged that provision were made on the organizational structure for 2011/2012 to create a separate Community Services Manager as the functions required to be managed reflect an entire department and should be managed by a section 57 appointment.

As indicated in the previous year's report, the appointment of the management team during 2008 facilitated an unexpected turnaround. The IPED, Technical, Corporate and CFO Managers were appointed, however they are still to reach a full individual potential, and every effort has been made to capacitate and empower them through ongoing mentoring and training efforts.

A dedicated PMU Manager under the Technical Services Manager has proved to be a great success and MIG funded projects (IDP and grant funded) have been well managed and so too the IDP projects.

FUNCTIONAL STRUCTURE



2.2 Component B: Intergovernmental Relations

Intergovernmental Relations (and the improvement thereof) is driven at the district level, through the IGR Forum, which provides the necessary vehicle to promote and to improve this process.

In an effort to facilitate this process, the District Municipality adopted an Intergovernmental Relations Framework. In keeping with this, intergovernmental structures have been created and are functional. These are grouped according to the following clusters: social needs; economic and infrastructure; safety and justice clusters. At this point the governance cluster is in the process of reorganising itself.

All clusters are formally constituted and have their terms of reference in place, which clearly spells out their roles and responsibilities. Accordingly, all clusters within the district meet bi-monthly while sub-committees meet monthly in order to discuss service delivery, policy, integration, coordination, monitoring and evaluation issues.

Apart from the clusters mentioned above, there are other existing and functional structures such as: District Technical Task Group and the District Mayors Forum (DIMAFU). DIMAFU meets quarterly in order to align key programmes and issues between Sakhisizwe Municipality and the other local municipalities that fall within the Chris Hani Municipal District.

As a s79 Committee, DIMAFU represents a special committee made up of councillors. In this instance it is made up of the Mayors of all the local municipalities (including Sakhisizwe Municipality).

Additionally, it must be noted that the Municipal Manager and the Mayor attend the Munimec meetings (this is a platform for MEC and municipalities). These are driven and coordinated by the MEC for Cooperative Governance. Munimec is considered to be a vehicle that scrutinises the performance of government programmes.

During the IDP processes, consultation happens at a level of Sector Departments (usually in February/March).

2.3 Public Accountability and Participation

2.3.1 Ward Committees and Public Meetings

Sakhisizwe Local Municipality represents a plenary executive system that includes a ward participatory system. In this type of system, the executive powers lie with the full Council. Council, through the Mayor as Chairperson, takes all executive decisions. S72 -78 of the Municipal Structures Act allows for the establishment of seven (9) Ward Committees and the relevant Ward Councillor chairs each of these Committees. The establishment of Ward Committees facilitates the process of “participative local government”. These committees are regarded as “consultative” community forums and through these structures an opportunity for the community to participate in local government is provided.

These committees have no formal powers although submissions to Council are made via the respective Ward Councillors. The greatest challenge in obtaining community support relates to the nature of the geographical spread and the cost and transport issues faced when attempting to encourage meeting attendance. Notwithstanding these challenges it appears that Ward participation has improved overall compared to 2010 – 2011 financial year. This conclusion is arrived at on the basis of regular meetings of these committees.

Public Participation

Public Participation refers to any and all attempts to meet with and engage with the public. The following types of interventions were undertaken (Inclusive of the IDP and SDBIP related hearings):

Mayoral Outreach/Imbizo’s

Mayoral imbizos’ were held in all wards. The intention of these Imbizos was to provide the public with the required feedback on progress in respect of the IDP and Budget. All feedback received was then forwarded to the relevant standing committee for appropriate action.

Public Hearings

With the introduction of a number of by-laws during the current financial year, a number of public hearings were held, in order to sensitize and provide information to the public regarding these by-laws.

The hearing are aimed at ensuring that formal opportunities are created for the public to have an input into policy and the strategic direction of the municipality. Similarly they have an opportunity to provide and receive feedback to and from the Council.

When reviewing the IDP, the representative forum and outreach programmes served as the primary vehicle for consultation and public participation. Public participation during the period under review was conducted mainly through Ward Committee Meetings in

conjunction with Community Development Workers and through the use of Mayoral Imbizos.

While greater community involvement was achieved, it is acknowledged that additional efforts are required for continued improvement of the effectiveness of ward committees.

Establishment and Functionality of Ward Committees

Ward Committees were established as required and in terms of Gazette No. 1405, Notice no. 209 of 9/12/2005. By-Laws were published relating to Ward Committees in terms of s13 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) read with s162 of the Constitution of the Republic of South Africa Act 1996 (Act 108 of 1996).

According to these prescripts it must be noted that:

- Representation on Ward Committees shall not be according to political party affiliation and will include religious, youth, civic, education, sport, culture, business, welfare, and women's associations.
- Committees are required to meet at least once per quarter and report formally to the Municipal Manger at least quarterly through their Ward Councillor;
- The term of office of a member is a period of two years;
- The Mayor is responsible overall for the functioning of the Ward Committees and will meet at least quarterly with all Ward Committees to discuss issues of mutual concern and issues to be addressed; and
- The Mayor shall submit a 6month report to Council on the activities and considerations of the Ward Committees.

Certain challenges in respect of functionality were present and these are reflected as follows:

- Not all Ward Committees were meeting as regularly as required;
- Challenges in travelling impacted the most on the degree of functioning of these Committees.

Each Committee is chaired by its respective Ward Councillor. During Ward Committee meetings, the community members are briefed about developments in their ward and within the municipality itself. In this manner, a consultative community structure is created and maintained.

In order to facilitate the smooth running of these communities a code of conduct has been developed which will in turn be work-shopped. In keeping with all required legislation it must be noted that:

- All records of meetings scheduled and attended are required to be maintained (minuted); Minutes of all meetings are to be made available upon request to a community/community member or any relevant individual or institution;
- Written proof is available regarding resolutions tabled to Council;
- Minutes are available for all feedback meetings with communities; and Ward Committee activity reports are required to be made available to all relevant stakeholders upon request.

2.3.2 Community Development Workers (CDWs)

The objectives and functioning of CDW's is motivated by the need not only to identify households in need, but also to ensure that community relationships between the communities and the municipality are fostered, in order to ensure adequate marketing and utilization of services offered.

CDWs report monthly to their co-ordinator in order to provide operational monthly reports. Reports regarding activities performed and observations noted are forwarded monthly to the municipality via the Speaker's Office. All Ward Committee meetings are attended by the CDWs who also then provide assistance to the Ward Councillors in respect of the dissemination of information.

In an effort to ensure effective service delivery from the CDWs, it should be noted that all CDWs have undergone the appropriate training. Difficulties in communication between the CDW programme and the municipality have not yet been resolved though (as stated in the previous financial year report). Through additional training and greater understanding of their function and role within the organization, it is hoped that this challenge will be addressed over time and especially with the appointment of the current (new) Council.

At a practical/functional level CDWs have had great difficulty in fulfilling their duties, due to a lack of adequate inter-ward transport and the lack of computers and printers to document evidence and to produce reports.

Overall, the prime focus for the current year has been to identify and report on households in need (utilizing a "door to door campaign" which facilitates the identification of the household situation and the government services required).

Through their reporting mechanisms the CDWs findings/issues are then submitted to the relevant government department in an effort to enlist the required assistance for that household. While this programme has achieved great success through its marketing campaigns, it is hampered by the lack of transport and telecommunications that would enable CDWs to ensure that the requested services reach the required families.

To summarise the above, the major challenges facing CDWs are as follows:

- Lack of transport – experienced due to the poorly constructed road network; and
- Poor telecommunications (attributed to lack of access to airtime and too few cell phone towers), which prevent the CDWs from reaching the necessary families as required.

2.3.3 Communication Strategy

The Communications Strategy was well applied at the time when there was a dedicated Communications Manager to drive communication initiatives and processes. Internally regular meetings were encouraged and email facilities were provided and staff was encouraged to follow all communication lines. The external processes involved radio, the local newspapers, and public events. After the resignation of the Communications Manager a void was left, and attempts are still made to fill this position.

The Strategy is focusing on the following:

Media Relations and monitoring

Establishing good relationships with the media is vital to the success of the organization and its public participation responsibility. Acknowledging this, Sakhisizwe Municipality has ensured that every effort is made to establish good relations with the media.

Events Management

Events management is an important skill in the government communication process, in order to ensure that specific events achieve their goals and to ensure that the correct messages are communicated to the people targeted.

External Communication

Of critical importance is the role of internal and external communication within the organisation. In an effort to improve these, efforts were made to build good relations with the different media houses. The absence of a dedicated Communications Manager has impeded progress in this area.

2.3.4 IDP Participation and Alignment

S34 of the Municipal Systems Act (Act No. 32 of 2000) read together with Chapter 2 of the Local Government: Municipal Planning and Performance Management Regulations, No. 796/2001 requires that the municipality develops its 5-year IDP and review, and update this document annually, (after obtaining inputs from public participation processes).

The IDP represents a strategic planning document that informs and guides strategic direction and objectives for a period of 5 years. It is about a long-term vision of a municipality. This document is informed by inputs obtained from the community during mayoral imbizos and IDP planning sessions. These are planned and held annually in order to provide every opportunity to detail feedback regarding progress and challenges, and to obtain further inputs that would be used to shape/modify the annual review.

In keeping with the long-term vision, the IDP document details the operational goals and targets that would be required to be developed and applied in order to meet this vision.

Additionally, the IDP is developed with alignment to the Budget – thereby ensuring that required goals and targets are realistically met.

It is important to note that the IDP represents a holistic approach to planning. Linkages are constructed between financial planning, infrastructure, investment planning, service delivery and intergovernmental relations. In this manner the IDP is utilized in a manner that maximises the impact of developmental interventions made by government.

The IDP Process

As the strategic document that guides planning in the organisation, the IDP is required to change and to be dynamic in order to adjust and make best use of changing circumstances. As legislated, a 5-year IDP is developed for each new term of office. This is reviewed annually and a completely new IDP is developed and approved for each new Council.

The purpose of IDP is to:

- Speed up the delivery of basic services and to ensure that service delivery is appropriate in terms of scale and standard of service; and
- To provide a financial, institutional and spatial framework for economic and social development within the municipality.

The community from structured input process informs the IDP. Based on the IDP objectives for a particular year in time and the related budget, IDP projects are assigned to specific departments. These projects inform the development of the Service Delivery Budget Implementation Plans. These targets contained within the SDBIP’s are then translated into more operational targets and finally reflected as individual performance targets, located within individual scorecards. The Individual Performance Management System is currently only applicable to 57 managers.

Annually, a ‘Process Plan’ is developed which informs the manner in which the IDP will be reviewed and managed. The planned meetings are detailed, scheduled and held as required.

In order to facilitate the development and review of the IDP the IDP Steering Committee was formulated in order to manage and coordinate this process effectively.

The IDP Steering Committee is comprised of a number of stakeholders:

Internal	External
TheMunicipal Manager TheIPEDManager Membersofthe IDPsteering Committee	IDPStakeholders IDPRepresentativeForum Sectors Departments IntergovernmentalRepresentative Forum(monthly)

2.4 Component D: Corporate Governance

2.4.1 Risk Management

2.4.1.1 Legal Unit

Sakhisizwe Municipality currently has no formal designated legal unit and the municipality outsources its legal services.

Management of litigation

Corporate Services manages litigations.

Management of Legal Risks

No policy on the management of Legal Risks exists yet.

2.4.2 Anti-corruption and Fraud

In the Financial Year 2011 – 2012 the following was the only case emanating from Fraud and Corruption:

CaseName	Recovery Yes/No	Reasons forNon-Recovery
MrMpalala		Revoked by Council

2.4.3 Supply Chain Management

General Principles

The municipality commits itself to a policy of fair dealings and integrity in conducting its businesses with service providers and other stakeholders. Officials and other role players involved in supply chain management (SCM) are in a position of trust which implies a duty to act in the public interest. Officials and other role players should not perform their duties unlawfully in order to gain any form of compensation, payment or gratuity from any person, or provider / contractor either for themselves, their family, their friends and business associates. Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly. Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

Challenges

SCM unit is not fully functional. There is one person working in this unit, assisted by an intern

2.4.4 By-laws

Development, and/or updating of Municipal by-Laws was advertised on the municipal website and only two bidders submitted proposals. It was decided that there should be re-advertisement as required by MFMA. Eventually, a consultant was appointed to do the review.

The following are the by-laws reviewed:

- Prevention of Nuisances
- Liquor Trading Hours
- Relating to keeping of Animals
- Commonage
- Control of Refuse Disposal Site
- Street Trading
- Dumping
- Public Cemeteries
- Streets vending
- Electricity

Consultation with Councillors, Management and the Union has been made. Inputs were made during the presentation

2.4.5 Website

The municipality does have a website that is operational. Some of the vacancies and tenders are advertised on it, including some important announcements made to the public

2.4.6 Public Satisfaction on Municipal Services

Community-based planning (CBP) is a form of **community participatory platform** designed to promote community – municipality interface, in order to enhance quality of participation in programmes such as the Integrated Development Plan (IDP). It is in this platform that communities talk to the municipality about their concerns.

This platform and all other community based participatory platforms help alert the municipality of concerns regarding service delivery processes in all municipal service points such as rent offices, municipal electricity selling outlets, driver's licence testing sites, etc.

The above notwithstanding, no formal survey on public satisfaction on municipal services has been conducted. The municipality is considering conducting this survey (through a specialised service provider). The municipality can safely say no protests against service delivery occurred during this financial year - this which can be a sign that even though municipality cannot satisfy all the needs of communities, communities are still patient with the municipality, or can be that communication between municipality and communities is effect on what services can and which can't be delivered.

2.4.7 Municipal Oversight Committees

Each portfolio committee (see political administrative structure) plays an oversight role over its specified department. However, Municipal Public Account Committee (MPAC) is a main oversight committee on all matters financial. The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Structures Act, focusing mainly on compliance with the provisions of the Local Government: Municipal Finance Management Act, 2003.

The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality.

The main terms of reference for the MPAC in terms of MFMA are:

1. The MPAC must interrogate the following financial aspects addressed in the Municipal Finance Management Act:

1.1 Unforeseen and unavoidable expenditure (Section 29)

1.2 Unauthorized, irregular or fruitless and wasteful expenditure

1.3 The quarterly report of the mayor on the implementation of the budget and the state of affairs of the municipality / SDBIP (Section 52(d))

1.4 Monthly budget statements (Section 71)

1.5 Mid-year budget and performance assessment (Section 72)

1.6 Mid-year budget and performance assessment of municipal entities (Section 88)

1.7 Disclosures concerning councillors, directors and officials (Section 124)

1.8 Submission and auditing of annual financial statements (Section 126)

1.9 Submission of the annual report (Section 127)

- 1.10 Oversight report on the annual report (Section 129)
- 1.11 Issues raised by the Auditor-General in audit reports (Section 131)
- 1.12 Audit Committee (Section 166)
- 1.13 Disciplinary action instituted in terms of the MFMA

2. The MPAC must interrogate the following aspects addressed in the Municipal Systems Act.

- 2.1 Annual review of the IDP (Section 34)
- 2.2 Performance management plan (Section 39)
- 2.3 Monitoring that the annual budget is informed by the IDP 13
- 2.4 Monitoring that all declaration of interest forms are completed by councillors on an annual basis (Section 54 read with Item 7 of Schedule 1)

Chapter 3

Service Delivery

Performance (Performance Report Part 1) and S46 Report

3.1 Introduction

The purpose of this chapter is to report on the performance of Sakhisizwe Local Municipality for the 2011/2012 financial year. The performance is measured against the key performance indicators (KPI's) and performance targets as set out in the Integrated Development Plan (IDP).

The broad Key Performance Areas (KPA) that the municipality has to focus on in order to render sustainable services to the communities are as follows:

KPA 1: Local Economic Development

- Focusing efforts on enabling economic growth based on identified sectoral potentials;
- Addressing poverty through poverty alleviation initiatives in collaboration with other spheres of Government;
- Ensuring that LED strategies and individual projects are designed so as to realise maximum job creation, preferably on a sustainable basis.

KPA 2: Service delivery

- Working to improve levels of service delivery for water and sanitation services;
- Working to improve levels of service delivery for electricity (energy);
- Ensuring an appropriate system is in place for solid waste management;
- Integrating environmental management processes into development activities;
- Working to improve levels of service for the road network under the jurisdiction of the Municipality;
- Working to address housing backlogs;
Integrating spatial planning into development activities and ensuring a process aimed at urban efficiency;
- Working to improve levels of provision of community facilities.

KPA 3: Municipal transformation and institutional development

- Ensuring an appropriate organisational design (organogram) that fits in with the role players, powers and functions assigned to the Municipality;
- Working towards employment equity in the Municipality;
- Focusing on HR skills development;
- Improving Integrated Development Planning processes and outcomes;
- Developing and implementing an appropriate Performance Management System.

KPA 4: Financial viability and financial management

- Working to improve the financial viability of the Municipality by putting appropriate financial controls and systems in place;
- Ensuring effective grant expenditure and financial management;
- GRAP compliance;
- Compliance with the Municipal Finance Management Act (MFMA);
- Setting in place appropriate credit control measures and debt collection.

KPA 5: Good governance and public participation

- Complying with Municipal legislation;
- Developing appropriate by-laws;
- Setting in place internal audit and risk management systems;
- Strengthen public participation and provide effective support to the Ward Committee system;
- Improving communication (with communities and other organs of state);
- Management of Municipal institution to be based on the Batho Pele principles

3.2 Legislative requirements

Section 34 of the Municipal Systems Act of 2000 (MSA) stipulates that the IDP of the Municipality has to be reviewed on an annual basis, and that during this review process the KPA's, the KPI's and the performance targets are also to be reviewed. These KPA's, KPI's and targets form the basis of the organisational performance review and the individual performance review for each of the S57 Managers.

Section 46 of the Municipal Systems Act stipulates that the Municipality must prepare a performance report for each financial year and that this report must form part of the Municipality's annual report, in terms of Chapter 12 of the Municipal Finance Management Act (MFMA).

Section 41 of the MSA requires a Municipality to set appropriate KPI's as a yardstick for measuring performance as well as measurable performance targets, with regard to each of the Municipality's development priorities and objectives as set out in the IDP. With regard to these KPI's and targets, S41 (1)(c) requires that the Municipality monitor performance and that it measures and reviews this performance at least annually.

Section 45 of the MSA requires that the Auditor-General (AG) audit the performance measurements, as contemplated in S41 (1) (c), as part of the Municipality's internal audit processes and annually.

The tables below are therefore meant to reflect the organisational performance targets and achievements, as well as the corrective measures to be taken in the 2012/2013 financial year to remedy under achievement.

3.3 Overview of Municipal Performance Report (s46 Report)

The purpose of this section is to not only highlight the instances where KPA performance targets were either fully met or exceeded, but to also note the challenges the Municipality is facing that are currently hampering its ability to achieve its performance objectives and targets. The summary below must be read in conjunction with the SDBIP for the 2011/2012 financial year and the tables presented in the annexures to this report.

3.3.1 Local economic development

Key achievements

The Municipality has made strides in implementing some of the key developmental priorities relating to Local Economic Development (LED). Overall 63% of the annual performance targets relating to LED were achieved in the current year. Some of the key highlights include:

- Development of the SMME database;

- Creation of 72 jobs through greening projects;

- Creation of 30 jobs within the Municipality for general workers;

- Assistance provided to 10 local Bed and Breakfast establishments that enabled registration and accreditation with the Eastern Cape Tourism Board;

- Creation of jobs through the implementation of the Expanded Public Works Programme.

Challenges Some of the challenges that hampered performance:

- Funding constraints or delays in receiving committed support from the funders or donors;
- Non-performance of service providers appointed to assist the municipality with the development of certain key strategies and documents.

3.3.2 Service delivery

Key achievements

The Municipality continued to focus on the key imperatives of service delivery during the 2011/2012 financial year. Overall 63% of the annual performance targets relating to Service Delivery were achieved. Some of the key highlights include:

Housing

- Development of the Housing Sector Plan in line with the guidelines issued by the Department of Human Settlements;

- Construction of 800 houses in Elliot and 1050 houses in Cala.

Services

Development of the Waste Management Plan;

Maintenance of cemeteries and the development of a cemetery in Elliot;

Achievement of targets relating to refuse collection. This included extension of the service to include townships. **Access roads**

Construction of roads according to plan;

Appointment of key service providers, such as consulting engineers, to ensure the proper implementation of plans. **Customer care**

Improvement of customer care in areas relating to delivery of basic services by ensuring that customer complaints were registered and addressed within reasonable time frames.

Challenges

The following are some of the challenges experienced by the Municipality that resulted in the non-achievement of some of the service delivery targets:

Funding constraints; Lack of bulk services in sites identified for housing development; Capacity constraints that resulted in some of the key plans or strategies not being developed early enough for implementation; Appointment of certain service providers to assist with housing delivery, being dealt with at a Provincial level and not by the Municipality.

3.3.3 Municipal transformation and institutional development

Key achievements

The Municipality achieved 61% of its overall municipal transformation and institutional development (MTID) goals. Key achievements include:

Review and approval of the organogram by Council;

Filling 38 of the critical vacancies;

Development of the Employment Equity Plan and reporting to the Department of Labour on implementation thereof;

Skills audit conducted;

Staff capacity building through the implementation of training initiatives as identified in the Workplace Skills Plan.

Challenges

Challenges experienced included the following: Funding constraints; Performance Management System (PMS) not fully implemented due to the reversal of the

PMS framework by Council; Not all critical posts in Technical Services department were filled; Land use management and settlement plans not developed due to the fact that Council had not yet approved the outcomes of the land audit performed.

3.3.4 Financial viability and financial management

Key achievements

The Municipality has achieved 54% of its overall goals in this area. Key achievements include:

- Review of the financial policies implemented by the Municipality;
- Compliance SCM reporting to Council;
- Implementation of measures to ensure accurate customer billing;
- Updating of the customer database;
- Leave records kept up to date;

Reporting of actual revenue collected against budget as required by the MFMA. **Challenges** Some of the challenges experienced are listed below: Vacant posts not filled due to funding constraints; Clean audit not achieved due to challenges relating to the reporting of performance against predetermined objectives and other compliance related matters; Inability to collect revenues for services rendered due to significant size of indigent population.

3.3.5 Good governance and public participation

Key achievements

The Municipality has achieved 61% of its overall goals in this area. Key achievements include:

- Review of the IDP;
- Adoption of the Annual Report including the Oversight Report for the 2010/2011 financial year;
- Development of the HR procedure manual and induction of all new employees;
- Adoption and workshopping of the delegation framework;

IDP roadshows conducted and Mayoral

Challenges

Challenges experienced, included the following:

Lack of capacity in Communications office as a result of a post becoming vacant during the 2 year;


PMS not fully implemented.


SAKHISIZWEMUNICIPALITYSDBIP/PERFORMANCEREPORT:2011/2012




Key: Snap assessment on likelihood of achieving annual target	
👍	Proceeding well. Annual target will be met and exceeded
👉	Meeting target
👎	Underachieving on target. More work is needed
🖐️	On Hold/Target to be revised
?	Assessment not possible to determine at this stage

Corporate Services


KPA1: Local Economic Development					KPA Weight	5%											
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets						Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment	
						Q1	Act.	Q2	Q3	Act.	Q4						Actual Performance
5	Creating an enabling environment for economic development and increase related potential to maximize economic opportunities of the Local Municipality by 2011	Creation of sustainable jobs to reduce unemployment by assisting with procurement for Departments with related internal job creation projects that require recruitment of %	30%	Recruitment records per project/Quarterly Report	Compliant with Provisioning/Recruitment Policy & project requirements (i.e. clean up projects/sourcing of funding).	30%		30%	30%		30%	100% 30 General workers, 1 Community Services manager, 1 Communication Officer, 1 HIV Co-ordinator, 1 Budget and Treasury Officer, 1 Credit Controller, Receptionist, 1 Intern, 1 LE Officer were appointed during 2011/2012 financial year	CSM/Relevant Dept. (IT&CSM)		N/A	N/A	


KPA2:ServiceDelivery					KPAWeight	15%														
IDP No.	IDP Objective	Indicator of performance	Annual target	measurements source	Baseline	Targets										Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment
						Q1	Act	Q2	Act	Q3	Act.	Q4	Actual Performance							
13	Review, Development, and/or updating of Municipal by-Laws.	By-Laws Analysis Reports and Implementation Strategy	100%	Review/develop/update By-Laws	Capacity challenges; control & compliance with By-Laws attempted but require updating/formulation.	Implement. Strat. Prep. To R, invite tenders, Bid eval. Process		Bid process final. Appoint. SP. By-Laws		Draft By-Laws; Public comment draft By-Laws; advertised, gazetted & reviewed		Implement. Strategy/Staff capacity on implementation of By-Laws.	50% Draft by-laws have been developed by the service provider	CSM/ Municipal Manager/ S57M managers		Service provider started in quarter 2 as there were no applicants in quarter 1 for service. This delayed public comments and implementation of by-laws.	HR will request assistance from CoGTA to facilitate various workshops relating to policies in the first quarter 2012/2013			



KPA3:MunicipalTransformationandinstitutional development					KPAWeight	25%												
IDP No.	IDPObjective	indicatorof performance	Annual target	measurements source	Baseline	Targets							Indicator custodian	Snapshot Assessment	Reasonforvariance	RemedialAction	GeneralComment	
						Q1	Act.	Q2	Act.	Q3	Act.	Q4						Act. Perf
13	Improvedhumanresourcecapacityoflocalgovernmentby2011	%ofcriticalvacantpositionsfilledwithino rganisation	80%	No.ofcriticalvacantpostsfilled bythoseunfilled	Structurefinalised	15%		35%		60%		80%	100%	CSM		N/A	N/A	
13																		
13																		
13																		




To ensure appropriate use of HR for effective and efficient service delivery.	Reworked organogram/organisational structure which takes into account	100%	Completed and adopted organisational structure	Existing structure currently under review and to be finalised	Final Organogram		Council approval.		Implementation		Implementation	100%. Employment Equity Plan and Policy were developed and approved. Employment Equity Reports were submitted to DoL.	CSM	<input type="checkbox"/>	N/A	N/A	
To ensure appropriate use of HR for effective and efficient service delivery.	90% compliance with the employment equity plan at the highest level of management	90%	Quarterly reports	Under Development Employment Equity Report	25%		50%		75%		90%	50% HR policies were assessed and reviewed in-house	CSM	<input type="checkbox"/>	Most Councillors could not be around due to various commitments	Workshop planned for beginning of 2012/13 FY. COGTA will be requested to assist in org such workshops	is for of FY. will be assists such




To ensure appropriate use of HR for effective and efficient service delivery.	Employment Equity Plan & Report (Legislated format)	100%	Employment Equity Report (Legislated EE report)	Annual Review to be completed. EE Plan & Policy approved	EE legislated format completed & sent to Equity Registry Dept. of		Policy Plan Review in progress from Quart 1		75%		100%	The Employment Equity Plan was developed and Employment Equity Policy was developed and approved Employment Equity Reports were submitted to the Dep of Labour	CSM		N/A	N/A	
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					KPA Weight									25%					
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets								Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment	
						Q1	Act	Q2	Act	Q3	Act.	Q4	Act						
13	To ensure appropriate use of HR for effective and efficient service delivery.	Identified HR policies are reviewed and updated as required (HR Provisioning, Retention strategy (scarcity of skill), HR Development, EE Policy/Plan, Performance Management & any other deemed operationally	100%	Complete and adopted HR policies as deemed necessary for operational purposes.	Policies/Procedures outdated and/or non-existent	Policies/Procedures assessed		Appointment of Service Provider.		Draft Policies presented/workshop if required/LLF consultation	50% HR policies were assessed and reviewed in-house	Submission to Council/Approved policies and implementation.	50% HR policies were assessed and reviewed in-house	CSM		Councilors were not available for the presentation/workshop of policies to be conducted due to other commitments and IDP processes. The workshop has been arranged to be held at the beginning of 2012/2013 financial year. No service provider was appointed to review the policies, these were reviewed internally.	HR will request assistance from CoGTA to facilitate various workshops relating to policies in the first quarter of 2012/2013		



13	To ensure appropriate use of HR for effective and efficient service delivery.	Implementation of institutional PMS as per project plan	90%	Quarterly reports and reporting as per policy	Currently PMS only applicable to 57 managers	20%		40%		65%		90%	0% Implementation of PMS Was not achieved	MM, CSM, CFO, TS, Comm S, IPED		Performance Management System project plan was not implemented as there is no approved guide/framework on performance management system	HR will request assistance from CoGTA to facilitate various workshops relating to policies in the first quarter 2012/2013	
13	To ensure appropriate use of HR for effective and efficient service delivery.	PMS Framework developed with rollout plan for middle management	90%	Quarterly Reports and reporting as per policy	No framework	Framework PMS		Implementation plan		Application plan		Application plan	0% PMS framework was not developed	MM, CSM, CFO, TS, Comm S, IPED		Management engaged the Council to do the PMS framework, however the process was reversed by the Council and as such the rollout plan for the assessment of the middle managers was not	HR will request assistance from CoGTA to facilitate various workshops relating to policies in the first quarter 2012/2013	

13	WSP: Staff development Capacity identified staff with identified areas	Skills Audit needs analysis, WSP Plan updated/Implementation report/s Level and degree of training conducted in identified areas	100%	Skills Audit Approved WSP Implementation Reports Skills Monitoring Reports	WSP to be developed/updated Skills Monitoring Report to be developed	Skills Audit WSP		Implementation Reports		Monitoring OR Implementation of training		Required Reports	100% The skills audit undertaken and the training conducted as per the WSP Plan	CSM/SDF		N/A	N/A	
13	Training Committee	Training Committee quarterly	100%	Minutes of Committee meetings, held quarterly	Not fully functional	25%		25%		25%		25%	0% The training committee did not meet during the 2011/2012 financial year	CSM/SDF		No meetings were held as the training committee is not functional	All the members will be reminded of their commitments to revive the committee	
13	WSP Budget	% of expenditure of the training/skills budget spent	70%	Training report/implementation report/statistics records of all training and workshop attendance, including costs of training	WSP, Training Plan and Implementation Reports.	20%		50%		70%		70%	91% Target exceeded	CS		R222,650 was spent on training out of a budget of R243,816 which resulted in achieving more than 70% targeted	N/A	

KPA3: Municipal Transformation and institutional development (Cont.)					KPA Weight	25%											
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment	
						Q1	Act.	Q2	Act.	Q3	Act.						Act.
13	Strengthening Good Governance and effective administration	Updated leave reports provided to internal departments quarterly	100%	Quarterly leave report: monthly leave reports.	Leave records audited No formal reporting	25%		50%		75%		100%	CSM	<input type="checkbox"/>	N/A	N/A	
13	Strengthening Good Governance and effective administration	Quarterly PMS & SDBIP Reports	100%	PMS Reports - Quarterly SDBIP Quarterly Reports	No PMS Framework and reporting not timeous SDBIP Reports	25%		50%		75%		0%	CSM	<input type="checkbox"/>	No policy in place to provide guidance on the PMS	HR will request assistance from CoGTA to facilitate various workshops relating to	
13	Strengthening Good Governance and effective administration	Response to departmental Risks Review Report Internal and External auditors	100%	Reports indicating response to internal and external auditors	Response to Internal and External auditors	25%		50%		75%		100%	CSM	<input type="checkbox"/>	N/A	N/A	


KPA4: Financial management and viability					KPA Weight					15%				
ID P No	IDPO Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets				Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Q3	Q4					
13	Improvement in the Financial Viability and Financial Management of local government; Address audits raised & progress clean audits reports by 2011	70% attainment of a clean audit (CSM), as per AG Report Implementation of previous Audit Plans: Corporate Services	70%	AG Report/Progress reports /Strategy to address audit queries Audit Plan progress report or	Qualified Report	70%	70%	70%	70%	0% A qualified audit opinion was received for 2010/2011 financial year.	CSM/MM Office Internal Audit 	A qualified audit opinion was received for 2010/2011 financial year	A commitment register which appears on the municipalities audit action plan will be developed for 2012/2011 financial year.	

13	Improvement in the Financial Viability and Financial Management of local government; Address audit raised & progress clean audit reports by 2011	Compliance with SCM policy (CSM Department) in respect of purchases, awards and expenditure	100%	Bid reports/awards/contracts/appointments/payments/reports	unknown	100%	100%	100%	100%	100%	100%	Compliance with SCM policy in respect of purchases, awards and expenditure	CSM		N/A	N/A	
		Management Departmental Budget/Expenditure by ensuring no over/under expenditure	95%	Expenditure Report/monitoring votes/monthly reports	MFMA requirements	25%	50%	75%	95%	0%	Strategy to deal with telephone usage was not developed	CSM					
		Strategy applied to deal with telephone usage and database	80%	Monthly telephone printouts of expenditure Recovery reports for private usage	Limited control by User Depts/Staff abuse	20%	40%	60%	80%	0%	Strategy to deal with telephone usage was not developed	CSM		Monthly telephone expenditure printouts and recovery reports not reviewed as no strategy/control measures are yet in place	Appropriate strategy & control measures to be put in place		

13	To ensure appropriate use of HR for effective and efficient service delivery.	Stocktake completed quarterly, Updated Asset Inventory List, Annual Stock count.	100%	Quarterly Report	Stocktake records available	25%	50%	75%	100%	0% The municipality does not keep stock	CSM/Snr Staff		The municipality does not have stores and does not keep stock	Exclude this KPI from future SDBIP as it is no longer applicable & should in fact fall within Finance Department KPI's	
13	To ensure appropriate use of HR for effective and efficient service delivery.	Leave record updated monthly and verified	100%		Leave Policy and Procedure available	25%	50%	75%	100%	100% Leave records are updated Monthly	CSM/HR Officer /HODs/ All staff		N/A	N/A	

KPA5: Good governance and Public participation					KPA Weight	20%										
ID P No	ID Objective	indicator of performance	Annual target	measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment
						Q1	Act.	Q2	Act.	Q3	Act.					

KPA5: Good governance and Public participation (cont.)					KPA Weight	20%										
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13	To ensure appropriate use of HR for effective and efficient service delivery.	Good quality reporting, minutes and agendas Meetings occur as scheduled (Council, management and Council committees)	100%	Council Committee & Management Meetings held as per schedule, quality control of council minutes/agendas, ensuring legislative compliance and timeous implementation of council resolutions/resolutions are kept in view through reporting by Managers	Updated meeting scheduled as annually	Meetings as per scheduled.	Meetings as per scheduled.	Meetings as per scheduled.	Meetings as per scheduled.	Meetings as per scheduled.	Meetings as per scheduled.	100% Good quality reporting	CSM/Committee/Secretarial staff		N/A	N/A	
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ID P No.	ID Objective	indicator of performance	Annual target	measurement source	Baseline									Snapshots assessment	Reason for variance	Remedial Action	General Comment	
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.					
13	Implementation of Fleet Management Policy and Plan	Fleet Management Implementation Plan and Fleet Management System developed and implemented as per plan	100%	Fleet maintenance schedule completed Updated logs sheets Vehicles Roadworth Certificate Service History Reports	Fleet management Policy not implemented No management of fleet occurring	25%		50%		75%		10%	100%	CSM	<input type="checkbox"/>	N/A	N/A	
13	Manages Maintenance Contracts Letter of Appointment and Maintenance of Conditions of Services	Verify existence of Contract and Compliance with BC and SALGBC's Conditions of Service. Letters, contracts are drafted to regulate employ	100%	HR monthly reports/statistics/capacity related on-the-job training reports/Quarterly reports /Administrative /legal compliance Efficiency	Updated meetings schedules annually/Lack of cooperation from municipal officials resolution implementation	Meetings as per scheduled.		Meetings as per scheduled.		Meetings as per scheduled.		Meetings as per scheduled.	100% Employees have signed employment contracts	CSM	<input type="checkbox"/>	N/A	N/A	

Effective functioning of Council and Committees & Institutional Meetings held in manner required in terms of legislative compliance	Good quality reporting, minutes taken and agendas Meetings occur as scheduled (Council, management and Council committees) and effective implementation of Council resolutions	100%	Council Committee and Management Meeting held as per schedule Effective implementation of Council Resolutions - Council and committees minutes distributed to Municipal Manager and HOD's 5 days after the Council or committee meeting								100% Good Reporting Quality	CSM	<input type="checkbox"/>	N/A	N/A	
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KPA5: Good governance and Public participation (cont.)														KPA Weight	20%				
ID P No.	ID Objective	indicator of performance	Annual target	measurement source	Baseline	Target								Indicator or custodian	Snapshot assessment	Reason for variance	General Comments		
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.						

Document Management System	Management of institutional memory Review/Updated and current records and archives system (procedure manual for record keeping)	80%	quarterly reports/Project progress in addressing the review and updating of existing approved documents management system/record keeping procedure	Document Management System requirements and update	Prepare ToR, Invitations, Bid Evaluation process		Bid process finalized and appointment of SP	Completion of Document Management System		Implementation Strat./Trainings and on-going analysis (M&E)	0% Archiving system not developed	CSM		Archiving is done manually and not electronically. Capacity constraints are a challenge - the archives clerk also assists in the traffic department	To return the clerk currently assisting the traffic department as well as employing an additional archiving clerk Investigate electronic options for document management as well as identify Managers and HR Staff that would be trained on document management/archiving
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ID	Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets								Indicator custodian	Snapshot	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Act.	Q3	Act.	Q4	Act.						
13	Compiles and manages budgets, controls cash flow, institutes risk management and administers tender procurement processes in accordance with generally accepted financial practices in order to ensure achievement of strategic objectives	Align expenditure to cash flow projections to enable effective budgeting and ensure that no over- or under-expenditure occurs.	100%	Monthly expenditure reports.	Expenditure reports.	25%	50%		75%		100%	No records received at the time of compiling this report by consultant	CSM	?	N/A	N/A		

CMC2: People Management and Empowerment						KPA Weight	4%													
ID P No	ID Objective	indicator of performance	Annual target	measurement source	Baseline	Targets										Indicator custodian	snapshot assessment	Reason for variance	Remedial Action	General Comment
						Q1	Act	Q2	Q3	Act	Q4	Act.								
13	To protect the municipality from litigation.	Ensure training provision for all related HR staff management and application of discipline (internal and CCMA).	100%	Training Records. Attendance Records.	Training provision limited.	25%		50%		75%		100%	33%	One litigation out of 3 was handled successfully	CSM	<input type="checkbox"/>	Two litigations are still under investigation	Appointment, on an ad hoc basis, of a Labour Relations Officer to be considered - budget permitting		
13	To improve HR Skills for best practice.	Provision of PM Training to all relevant HR staff in order to facilitate roll out to lower levels.	100%	Training Records and attendance Register	Applicable to 57 managers-- limited training.	25%		50%		75%		100%	No records received at the time of compiling this report by consultant	CSM	<input type="checkbox"/>	N/A	N/A			




CMC3: Client orientation and Customer Focus						KPA Weight	4%											
ID P No.	ID Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets					Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment			
						Q1 Act.	Q2 Act.	Q3 Act.	Q4 Act.	Act.								
13	Establish effective and efficient IT system re- HR operation.	Develop IT Strategy and Implementation Plan.	100%	IT Strategy and Implementation Plan approved.	No strategy plan.	25%		50%		75%		100%	No records received at the time of compiling this report by consultant	CSM	?	N/A	N/A	
13	To improve HR Skills for best practice	Provision of Customer Care workshop to all staff (HR and organisation ally)..	30%	Training Records/register	No customer car training.	10%		20%		30%		30%	No records received at the time of compiling this report by consultant	CSM	?	N/A	N/A	

Budget and Treasury

KPA1: Local Economic Development													KPA Weight		5%			
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets								Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.					
5	Creating an enabling environment for economic development and increase related potentials to maximize economic opportunities of the Local Municipality by 2011	30% of tenders awarded to HDIs	20%	Quarterly Report SCM : Tenders and Bid Reports	Compliance Report	5%		10%		15%			100%	CFO		N/A	N/A	



KPA2: Municipal Transformation and institutional															KPA Weight		15%	
IDPN o.	IDP Objective	indicator of performance	Annual target	measurement source	Baseline	Targets							Indicator custodian	snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Act.	Q2	Act.	Q3	Act.	Q4						Act.
13	Improved human resource of local government by 2011	80% of critical vacant positions filled within Finance Department	80%	Number of critical vacant posts filled vs those that are unfilled	Critical posts are identified on the organogram Finalisation of organogram underway	30%		80%		80%			0%	CFO	<input type="checkbox"/>	No critical vacancies were identified in the finance section, however the Supply Chain Officer and finance intern were appointed during 2011/2012 financial year	Human resources must follow processes if posts are budgeted for	

		Staff capacitated through planned expenditure on training/skill budget	70%	Quarterly training/Skills monitoring reports 70% expenditure on training budget	Workplace Skills Plan approved and training required to planned	15%		30%		60%		70%	100% <input type="checkbox"/> Finance staff attended Municipal Finance Management Training Programme	CFO	<input type="checkbox"/> 	N/A	N/A	
13	To provide sound and sustainable financial management.	Attendance of all Council and Standing Committee meetings wherever input/presence required as per schedule and report submissions.	100%	Proof of Council and Standing Committee Meetings required to be attended - Minutes	Meetings scheduled. Not a way held as planned	100%		100%		100%		100%	100% <input type="checkbox"/> The CFO attended all standing committee meetings and all ordinary council meetings	CFO	<input type="checkbox"/> 	N/A	N/A	
13	To secure sound and sustainable financial management. Effective Consumer Billing Systems, Debt Collection and Credit Control to improve	Debt collection increased to 90% Adoption of Credit Control Policy and Debt Collection Billing System	90%	Credit Control Policy Debt Collection Billing System applied % of debt collected	Available Credit Control Policy and Debt Collection Billing System	25%		50%		75%		90%	50% Credit control policy and Debt Collection policy adopted	CFO	<input type="checkbox"/> 	Process started with the indigenous registration process. Debt written off and recovery of outstanding debt will start in final year 2012-2013	The debt collection policy to be fully adopted in the financial year	

	payment levels and reduced debt, and in so doing, to promote a culture of payment	Consumer database updated monthly	95%	Updated consumer database	Consumer database in process of being updated	90%	90%	90%	90%	100%	100% Customer database is updated monthly	CFO		N/A	N/A	
		Consumer accounts accurate	98%	Monthly billing of consumer accounts at 98% accuracy.	Inaccurate	90%	94%	96%	98%	100%	100% Customer accounts are accurate	CFO		N/A	N/A	
		Monthly meter readings captured accurately.	95%	Accuracy of meter readings reflected monthly and inputted onto SEBATA	90%	90%	92%	95%	98%	100%	100% Accurate capturing of monthly meter readings	CFO		N/A	N/A	
13	Indigent Management Free Basic Services	Reviewed and approved fully functional Indigent Policy and register	90%	Monthly updated Indigent Register Reviewed Indigent Policy. Quarterly reports	Indigent Policy + Register Some access to FBS.	25%	50%	75%	100%	100%		CFO		N/A	N/A	

KPA2: Municipal Transformation and institutional KPA Weight 15%

IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets					Actual	Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment		
						Q1	Act.	Q2	Act.	Q3							Act.	Q4
13	Expenditure Management	Implementation of M&E system to monitor and control expenditure	100%	Monthly/Quarterly reporting/consolidation of votes	Managed and controlled	25%		50%		75%		100%	100%	CFO		N/A	N/A	

13	To secure sound and sustainable financial management.	AFS submitted timely by 31 August	100%	AFS/Council approved/submit to Treasury	MFMA requirement	25%	50%	75%	100%	100% 2010/2011 financial statements were submitted for audit by the 31st of August	CFO	<input type="checkbox"/>	N/A	N/A	
13	Develop and update financial policies /strategies and by-laws in line with legislation.	AFS GRAP/GAMA P Compliant	100%	GRAP/GAMA P Compliant AFS	MFMA requirement	25%	50%	75%	100%	100% Financial statements were fully GRAP compliant in 2010/2011	CFO	<input type="checkbox"/>	N/A	N/A	
13	Develop and update financial policies /strategies and by-laws in line with legislation.	Updated financial policies as deemed necessary for operational efficiency as per implementation plan.	100%	Completed and adopted by-laws Policies as indicated	Policies outdated or non-existent	Policy Assessment	Appointment of Service Provider	Presentations and Workshops	Approved policies and implementation	100% By-laws finalised and Adopted	CFO	<input type="checkbox"/>	N/A	N/A	

13	To secure sound and sustainable financial management.	Timely receipting of National and Provincial allocations (Grant funding and equitable share).	100%	Correspondence / Reports/ Receipt and allocations	MFMA requirements	25%	50%	75%	100%	100% Timely receipting of Provincial allocations	CFO	<input type="checkbox"/>	N/A	N/A	
13	Provide efficient and effective financial support to all departments.	Data integrity information and computers systems regular upgrade of hardware and software	100%	Roll-out and implementation of IT Policy & IT Strategy and effective website maintenance	IT System maintenance required Financial System requires maintenance	25%	50%	75%	100%	100% Final IT policy developed and Sakhisizwe website Maintained	CFO	<input type="checkbox"/>	N/A	N/A	
13		Functional Electronic IT/Financial Systems implemented	100%	Effectiveness of Electronic Data Management System	SEBATA Financial System maintained	25%	50%	75%	100%	100%	CFO	<input type="checkbox"/>	N/A	N/A	


13	Provide efficient and effective financial support to all departments.	Roll-out of email & functional email facilities	90%	Effective Communication	Ongoing	25%		50%		75%		100%	100% email system is functional at Sakhisizwe Municipality	CFO	<input type="checkbox"/>	N/A	N/A	
13	Provide efficient and effective financial support to all departments.	Website developed and updated and maintained according to implementation plan.	80%	SP Reporting, Monthly and quarterly reporting.	Website developed by MARS Technologies/Requirements implementation / maintenance	50%		60%		70%		80%	100% Sakhisizwe website developed and maintained	CFO	<input type="checkbox"/>	N/A	N/A	
13	Provide efficient and effective financial support to all departments.	Purchase of office furniture and equipment	100%	Advert/Tender/Bid award/payment/purchases		25%		50%		75%		100%	0% Furniture was not Purchased	CFO	<input type="checkbox"/>	Saving on budget	Obsolete KPI to be reviewed in the revised SDBIP	

KPA3: Service Delivery

					KPA Weight		15%												
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets								Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Actual	Q2	Actual	Q3	Actual	Q4	Actual						Actual
13	To provide sound and sustainable financial management	Annual reconciliation and update of the valuation roll	100%	Accuracy and completeness of valuation roll (correct rates and accounts)	Existing valuation roll (75%)	100%		100%		100%		100%	100%	100% Valuation roll updated and reconciled	CFO	<input type="checkbox"/>	N/A	N/A	






13	Provide efficient and effective financial support to all departments.	Manage votes re costs of fuel and maintenance by monthly allocation to the correct vote.	100%	Monthly statistical /financial reports /allocated cost of fuel and maintenance to correct votes	Ongoing, MFMA	25%		25%		25%		25%	100% Fuel and maintenance allocated to correct vote monthly	CFO		N/A	N/A	
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KPA4: Financial management and viability					KPA Weight	25%												
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets								Indicator/ custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment
						Q1	Actual	Q2	Actual	Q3	Actual	Q4	Actual					
13	Secure, sound and sustainable financial management	Clean audits received. MFMA compliance improved	100%	Quarterly Audit Reports. Annual Financial Statements and AG Report.	AFS compiled annually. Disclaimers received.	25%		50%		75%		100%	A qualified audit opinion was received for 2010/2011 financial year	CFO	<input type="checkbox"/>	KPI set too high, working towards clean audit	Implementing the actions per the audit action plan	
13	Secure, sound and sustainable financial management	Implementation of SCMP Policy Compliance Report submitted to Council	100%	Implement SCMP Processes/ SCMTenders/ Bid /Quarterly Report	SCM Policy in place	25%		25%		25%		100%	Quarterly SCM reports were submitted to council	CFO	<input type="checkbox"/>	N/A	N/A	




IDP No.	IDP Objective	Indicator of Performance	Annual Target	Measurements Source	KPA Weight		Targets				Indicator Custodian	Snapshot Assessment (Annual Target)	Reason for Variance	Remedial Action	General Comment
					Baseline					Act					
					Q1	Q2	Q3	Q4							
13	Accounting and Reporting	Implement MFMA requirements relating to accounting & reporting. Submit S71 reports monthly & S72 half yearly. Submit monthly bank reconc. Process statutory reports National & Provincial.	100%	All reports submitted as per MFMA requirements.	S71 and S72 reports not submitted	25%	50%	75%		86% S71 and S72 reports Submitted	CFO		KPI was not clear in terms of statutory reports	This KPI needs to be more specific in revised SDBIP	

		Monthly, quarterly and mid-year reports to Municipal Manager, Exco, Full Council, Provincial and National Treasury and AG provided in terms of MFMA	100%	Monthly, quarterly, mid-year and annual reports to Municipal Manager, Exco, Full Council, Provincial and National Treasury and AG as per MFMA	AFS and most reports submitted in terms of MFMA and updated annually. S71 and S72 not submitted.	25%		25%		25%	25%	100% All quarterly reports were prepared	CFO	<input type="checkbox"/>	N/A	N/A	
		95% of allocated operating budgets spent year to date, excluding staff costs	95%	Quarterly and monthly reports	Income and Expenditure Reports	25%		50%		75%	95%	100%	CFO	<input type="checkbox"/>	Financial information is not present in a format to enable reporting against KPI	Accounting system to be reconfigured to meet performance reporting requirements	



		95% of allocated capital budget spent year to date	95%	quarterly report	100%	25%	50%	75%	95%	0%	CFO		Financial information is not present in a format to enable reporting against KPI	Accounting system to be reconfigured to meet performance reporting requirements	
		100% Compliance of Asset Register to GRAP standards	100%	Quarterly compliance report submitted to council	Process is underway but requiring clearer definition	100%	100%	100%	100%	100%	CFO		N/A	N/A	
		Review of efficiency of SOP's	100%	Efficiency of implementation	Development of SOP's	25%	50%	75%	100%	100%	CFO		SOP (Standard operating procedures)	SOP's will be Developed	
		Review of Departmental Risk	100%	Responses to internal & external audit review - risk assessment.	Audit Reports	80%	90%	100%	100%	100%	CFO		N/A	N/A	
		Submission of Section 71 and 72 reports	100%	Monthly reports to NT and PT	Not fully compliant	100%	100%	100%	100%	100%	CFO		N/A	N/A	



		Review of Financial Policies	100%	Annual Financial Policy Review Completed.	Review completed - submission of Budget	100%		100%		100%	100%	100%	100%	100%	100% Financial policies were Reviewed	CFO	<input type="checkbox"/> 	N/A	N/A	
		Submission of Budget and IDP Process Plan	100%	Draft approved Council 1/31/12 and final before 3/1/12	MFMA requirement -- adherence ongoing	25%		50%		75%		100%	100%	100%	Budget and IDP process plan for 2011/2012 was submitted to Council	CFO	<input type="checkbox"/> 	N/A	N/A	
		Budget Controls and Monitoring	100%	Report submitted to Council - Quarterly report as per MFMA	Item to Finance Standing, Mayco & Council	25%		50%		75%		100%	100%	100%	Monthly revenue and expenditure reports were submitted to Council	CFO		N/A	N/A	

KPA4: Financial management and viability													KPA Weight		25%					
ID P No.	IDP Objective	indicator of performance	Annual target	measure source	Baseline	Targets	Q1	Q2	Q3	Q4	Act	Indicator custodian	snapshot assessment	Reason for variance	Remedial Action	General Comment				
	Accounting & Reporting	Submission of SDBIP and PMS Reports	100%	Legislative requirement	Reports	25%	50%		75%		100%	50% SDBIP was submitted	CFO		PMS reports were not produced as there is no approved performance management system in place	CoGTA to assist with implementation of a PMS system				
	Accounting & Reporting	Coordinating CFO forums	100%	Half yearly meetings scheduled and held.	Minutes	0%	50%		100%		50%	CFO		KPI not clear, CFO only attends forum meetings when invited unable to coordinate	Obsolete KPI to be reviewed in the SDBIP - KPI needs to be adjusted					
	Accounting & Reporting	Submission to Council of quarterly withdrawals	100%	Section 11(4)(a).M FMA quarterly reports.	Items to Finance Standing, Mayco & Council	100%	100%		100%		100%	100% Finance Department quarterly reports were submitted	CFO		N/A	N/A				



Accounting & Reporting	Implementation of monthly grant reconciliations	100%	Monthly reconciliation reports.	Monthly submissions	100%	100%	100%	100%	100%	100%	Monthly grant reconciliations performed	CFO	<input type="checkbox"/>	N/A	N/A	
Accounting & Reporting																
Accounting & Reporting	Submission of half Yearly annual reports	100%	Report submitted to Council	Reports	100%	100%	100%	100%	100%	100%	Half yearly report and annual report submitted to council	CFO	<input type="checkbox"/>	N/A	N/A	
Accounting & Reporting																
Accounting & Reporting	Management of Investment accounts	100%	Reports submitted to Council. All surplus money invested, balance investment register monthly, Allocate interest and redemption on loans monthly.	All reports submitted to Finance Standing monthly and to Mayor & Council quarterly.	100%	100%	100%	100%	100%	100%	Investment accounts are balanced monthly	CFO	<input type="checkbox"/>	N/A	N/A	
Accounting & Reporting	Development of Investment Strategy	100%	Developed and approved Investment Strategy.	Not yet	100%	100%	100%	100%	100%	100%	Investment and Management Policy developed	CFO	<input type="checkbox"/>	N/A	N/A	




Accounting & Reporting	Report to Council on Staff Benefits	100%	As required by the MFMA	Item to Finance Standing, Mayco & Council	100%	100%	100%	100%	100%	100%	CFO	<input type="checkbox"/>	N/A	N/A	
	Report on the implementation of Priorities MFMA	100%	As required by national Treasury	Item to Finance Standing, Mayco & Council	100%	100%	100%	100%	100%	0% No reports were prepared	CFO	<input type="checkbox"/>	KPI not clearly defined	Adjust KPI	

KPA5: Good governance and Public participation													KPA		20%	
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets					Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment	
						Q1	Q2	Q3	Q4	Act						
13	Strengthening Good Governance, Community Participation and Ward Committee Systems in local government	Approved Review of the Integrated Development Plan	100%	Council approval	approved on an annual basis	20%	40%	80%	100%	100%	CFO	<input type="checkbox"/>	N/A	N/A		
		Status of the annual report	100%	Council approval	not meet all deadline due to delay in the AFS	20%	80%	80%	100%	100%	CFO	<input type="checkbox"/>	N/A	N/A		

		% functioning of IGR systems	100%	Minutes	2	25%	50%		75%		100%	0%	CFO		KPI not specific on targets	Adjust KPI during revision of the SDBIP	
		95% expenditure on public participation	100%	Report to council	unknown	25%	50%		75%		95%	0%	CFO		Financial information is not presented in a format to enable reporting against KPI	This KPI should be transferred to MM. Not within the control of the Finance Department	
13	Local government to	80% implementation of risk assessment	80%	Quarterly report	unknown	25%	50%		75%		80%	0%	CFO		This KPI is not	Obsolete KPI to be reviewed	

	Budget and Treasury Department Annual Report Oversight Report	Development and submission of Financial Departmental Annual Report and Oversight Report	100%	Adopted Oversight Report and Annual Report	Annual Report compiled by 30 November 2009 and Oversight Report completed February 2010		Completion of Oversight Report	Adopted and approved			100% <input type="checkbox"/> Finance 2010/2011 annual and oversight report was compiled and submitted within prescribed timeframes	CFO	<input type="checkbox"/>	N/A	N/A	
KPA5: Good governance and Public participation					KPA Weight		20%									
IDPN	IDP Objective	Indicator	Annual target	Measurements	Baseline	Targets	Indicator	Snapshot	Reason for	Remedial	General					

o.		of performance	get	urce		Q1	Q2	Q3	Q4	Act	rcustodian	tassessment	variance	Action	Comment
13	Tariff and Adjustment Budget	Full compliance with Chapter 4 of MFMA Systems Act & S23 MFMA	100%	Approved Tariffs and approved adjustment budget	MFMA required		100%		100%	100% The Municipality fully complied with chapter 4 of the MFMA	CFO	<input type="checkbox"/> 	N/A	N/A	
13	Audit Qualifications (Budget and Treasury)	Improved audit report for 2008-2009 Financial Year. Address audit queries. Adherence to Audit Plan / Action Plan to address audit queries.	70%	Action Plan to address 2007/2008 AG queries raised. Queries raised by internal audit committee to be addressed within 30 days of receipt	Annually addressed		50%		70%	Addresses in the FY stated	CFO	<input type="checkbox"/> 	N/A	N/A	

13	Performance Management	Population scorecard and agreement for 57 manager concluded.	100%	Structured PMS system. Populated scorecard. Signed agreement. Monitoring/Evaluation of Performance. Legislative compliance.	Applicable to 57 staff.	25%	50%		75%	100%	100% Scorecard populated and signed performance agreements for CFO concluded	CFO & Sr Staff		N/A	N/A	
		PMS phased to next reporting level. Populate and	80%	Structured PMS system. Populated scorecard. Signed agreement. Monitoring	Currently applicable to 57 staff.	20%	40%		60%	80%	0% Performance Management System was not populated for middle management staff	CFO & Sr Staff		CFO will implement when this step is implemented by the MM	Obsolete KPI to be reviewed in the revised SDBIP	
	PMS Action Plans/PDP's	Corrective actions identified and applied as per PDP and	100%	Letters/Reports/Progress Reports	In progress.		100%	Dec 2009		100%	0% June 2009	CFO & Sr Staff		Process not in place	Will comply when process is in place	

CMC 1: Financial Management																	KPA Weight	4%
	IDP Objective	indicator of performance	Annual target	measurements source	Baseline	Targets								Indicator custodian	Snapshot assessment	Reason variance for	Remedial Action	General Comment
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.					
13	Compiles and manages budgets, controls cash flow, institutes risk management and administers tender procurement processes in accordance with generally accepted financial practices in order to ensure the achievement of strategic municipal objectives	Align expenditure to cash flow projection to enable effective budgeting and to ensure that no over or under-expenditure	100%	Monthly expenditure reports.	Expenditure reporting occurs.	25%		50%		75%		100%	Not evaluated in the SDBIP 2011 - 2012	CSM	☐ ?	N/A	N/A	
		Manages risks identified by the Auditor General's assessment of the Annual Report and meets 70% of remedial issues identified in the Audit Action Plan.	70%	Quarterly feedback / progress report.	Many risks identified re-controls.	20%		35%		50%		75%	Not evaluated in the SDBIP 2011 - 2012		☐ ?	N/A	N/A	





CMC 2: People Management and Empowerment					KPA Weight	4%												
IDPN No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets								Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.					
13	To protect the municipality from litigation.	Ensure training provision for all line managers as per training plan, re-management and application of discipline.	100%	Training Records, Attendance Records.	Training provision limited.	25%		50%		75%		100%		CFO	?	N/A	N/A	
13	To capacitate staff	Provision of PMST training to all relevant departmental staff in order to facilitate rollout to lower levels.	100%	Training Records and attendance Register	Applicable to 57 managers - limited training.	25%		50%		75%		100%		CFO	?	N/A	N/A	





CMC 3: Client orientation and Customer Focus					KPA Weight	4%												
IDPN No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets								Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.					

1 3	Improved CustomerCare	Develop CustomerCare Strategy and Implementation Plan for the Department.	100%	Complaints register developed, Strategy and Implementation Plan approved, Quarterly Implementation Report.	No strategy or plan.	25%		50%		75%		100%		CFO	?	N/A	N/A	
1 3	To improve staff customer care skills for best practice	Provision of Customer Care workshops to all staff.	30%	Training Records/register	No customer care training.	10%		20%		30%		30%		CFO	?	N/A	N/A	

IPED/Community Services



KPA2: Service Delivery				KPA Weight	25%													
IDP	IDP Objective(*)	indicator of perfor	Ann	measurement	Baseline	Targets		Indicator cu	snapshotas	Reason for varian	Remedial Acti	General						






No.		Performance	Quality Target	Source		Q1	Q2	Q3	Q4	Actual	Responsible	Assessment (Annual Target)	Comments	Comments
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Sports fields Maintenance Programme developed and implemented in terms of funding availability for sports fields and caravan parks	100%	Implementation plan results Quarterly reporting.	Shortage of staff. Not maintained efficiently - vandalised	25%	50%	75%	100%	0%	IPED/Comm Services		Sports field maintenance programme was not developed, however sports fields are maintained by the general workers that were appointed to assist in this regard	Maintenance plan will be developed for 2012/2013 to assist general workers deployed for the service
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Buildings and halls maintained as per maintenance plan	100%	Expenditure Reports Monthly Progress reports	Ongoing - Maintenance ongoing Funding and capacity challenges	25%	50%	75%	100%	0%	IPED/Comm Services	<input type="checkbox"/> 	The maintenance plan was not developed; however the Municipality is in the process of developing a policy for maintenance of halls	Maintenance plan will be developed for 2012/2013 for all community halls maintained by the Municipality. This will also include the caretaking of these facilities
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Progress in respect of maintenance schedules for parks, sidewalks and open spaces. Progress as per Maintenance Plan for grass cutting	100%	Monthly reports on cleanliness Standing Committee	Current Maintenance Programme, staff shortages, Insufficient funding	25%	50%	75%	100%	0%	IPED/Comm Services	<input type="checkbox"/> 	The maintenance plan for parks, sidewalks and open spaces was not developed. Currently these are maintained as and when needed.	Sidewalks and parks will be maintained according to plan
6		All cemeteries maintained as per plan	100%	Monthly report to Standing Committee as per scheduled	Staff shortage Insufficient funding Environmentally affected	Monthly Reports 25%	Monthly Reports 50%	Monthly Reports 75%	Monthly Reports 100%	100%	IPED/Comm Services	<input type="checkbox"/> 	N/A	N/A



66	Establishment and Maintenance of Cemeteries	Cemeteries established in Elliot & Calal cemeteries	100%	Monthly report to Standing Committee as scheduled	Funding to be obtained from MIG	Monthly Reports	Monthly Reports	Monthly Reports 75%	Monthly Reports 100%	50%	IPED/Comm Services		A cemetery was developed in Elliot during 2011/2012 financial year, however due to financial constraints Cala cemetery could not be established	Funding will be sourced to develop a cemetery in Cala as there is no budget allocated for this in 2012/2013 FY	
		maintained as per plan	Monthly updated burial registers	100%	Verified and updated burial registers Monthly reports	Poor control. Illegal burials.	100%	100%	100%	100%	100%	IPED/Comm Services		N/A	N/A
6	Maintenance of Public Open Spaces (commonages and pounds)	Progress to be achieved as per maintenance plan (commonages and pounds)	100%	Monthly report to Standing Committee as per progress	Huge challenges - staff shortage and funding issues	25%	50%	75%	100%	50% Both pounds in Cala and Elliot are operational and maintained	IPED/Comm Services		Commonages were not maintained due to financial constraints	source funding for maintenance of commonages and upgrading of pounds	
2	Reduce no. of households without sanitation services (backlogs) and to improve sanitation and refuse removal services	Refuse collection completed as per collection plan.	90%	Monthly statistics/Report on Refuse Removal and Standing Committee	Current Removal Plan improvements but not yet up to standard	80%	90%	90%	90%	> 100% Exceeded target Refuse collected as per plan	IPED/Comm Services		N/A	N/A	



KPA2:ServiceDelivery(cont.)					KPA Weight	25 %											Snapshot assessment	Reason for variance	Remedial Action	Comments
IDP No.	IDP Objective(*)	indicator of performance	Annual target	measurements source	Baseline	Targets										Indicator Custodian				
						Q1	Act.	Q2	Act.	Q3	Act.	Q4	Act.							
3	To ensure that all Sakhisizwe communities have access to adequate housing by 2014.	Submit funding applications to DoH	100%	Develop Housing Sector Plan and Submit to DoH.	No Housing Sector Plan. No alignment	50%	100%	100%	100%	0%				0%	IPED/Com Services		Capacity constraints prevented this activity from happening	Funding applications will be submitted to the Department of Human Settlements		
		Appoint Service Provider	100%	Funded application, Service Provider contract.	No appointment.	60%	100%	100%	100%	0%				0%	IPED/Com Services		The service provider appointment process was handled by the Department of Human Settlements	Make follow up to Department of Human Settlements on the progress		
		Visit Ward and report to Council	100%	Attendance register of visits. Report to Council.	Ongoing. Report to Council.	25%	50%	75%	100%	100%				100%	IPED/Com Services		N/A	N/A		
3		Council approval and submit to DoH	100%	Council Resolution. Submission to DoH	Ongoing. Report to Council.	50%	100%	100%	100%	0%				0%	IPED/Com Services		Finances to build houses are approved by Legislature not by Council	Follow up will be done on the progress of approval by the Legislature		



3		Meeting with WSA (Bulk Services) to ensure adequate service provision.	100%	Minutes/Attendance Register of meetings	Lack of Services and inadequate infrastructure.		100%	100%	100%	100%		100%	IPED/Com Services		N/A	N/A
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KPA2:ServiceDelivery(cont.)					KPAWeight	25%												
IDP No.	IDP Objective(*)	indicator of performance	Annual target	measurement source	Baseline	Targets								Indicator custodian	snapshots assessment (annual target)	Reason for variance	Remedial Action	General Comment
						Q1	Act.	Q2	Act	Q3	Act	Q4	Act.					
3	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Housing backlogs reduced by 80% in total through implementation of Housing Plan	80%	Beneficiary allocations, and temporary allocations. Total no. of allocations per outstanding infrastructure challenges.	Backlogs/Blocking of project by DHLG TA Node development	20%		40%		60%		80%	28%	IPED/Comm Services		The housing backlog is 6500 houses - 5000 in Cala and 1500 in Elliot. 1050 houses were constructed in Cala and 800 houses were constructed in Elliot. The challenge was the provision of bulk services.	1000 houses are planned to be built in Elliot to reduce housing backlog	
		Construct RDP houses in Elliot as per project plan.	80%	Implementation/Progress Report, Payments	Lack of Housing	20%		40%		60%		80%	53% <input type="checkbox"/> RDP houses constructed in Elliot	IPED/Comm Services		800 houses were built in Elliot out of a backlog of 1500 houses. The challenge was the provision of bulk services in some areas of Elliot and as	1000 houses are planned to be built in Elliot to reduce housing backlog	

		Construct RDP Houses in Calaa per project plan.	80%	Implementation/Monthly and Quarterly Progress Reports.	Lack of Housing.	20%		40%		60%		80%	21% <input type="checkbox"/> RDP houses in Calaa per project plan	IPED/Community Services 	1050 houses were built in District Calaa out of a Municipality backlog of 5000 houses. The approved challenge was for the provision of 3 year bulk services in MTREF some areas of Calaa and as such houses	Chris Hani District Municipality has approved bulk services for 3 year period	
		Identified and approved new residential sites	Increased by 10%	Report to Council. Land transaction reports.	Current land shortages for residential sites	25%		50%		75%		100%	0% <input type="checkbox"/> IPED/Community Services 	No new residential sites were approved in 2011/2012 financial year	Facilitate land audit approval by the council		
		Application for additional housing sites	Submit funding applications to DoH	100%	Funding application, Service Provider Appointment Proof of submission to SG	Ongoing. Report to Council.	100%	100%		100%		100%	0% <input type="checkbox"/> IPED/Community Services 	No new residential sites were approved in 2011/2012 financial year	Facilitate land audit approval by the council		
3	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Appoint Service Provider	100%	Appointed Service Provider. Contract.	No capacity internally	0%		100%		100%		100%	0% <input type="checkbox"/> IPED/Community Services 	The appointment process of the service provider was handled by Department of Human Settlements	Follow up progress with Department of Human Settlements		
3	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Housing Sector Plan	100%	Approved Housing Sector Plan	Not approved	100%		100%		100%		100%	100% <input type="checkbox"/> Housing sector plan developed 	N/A	N/A		



KPA2: Service Delivery(cont.)				KPA Weight	25%													
ID No.	Objective(*)	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment		
						Q1	Act	Q2	Act	Q3	Act.						Q4	Act.
8	Promote, implement and maintain security in all communities of Sakhisizwe.	Compliance with OHS at Traffic Station as per OHS Implementation Plan	100%	Compliance with OHSPolicy+ Plan, attendanc e safety meetings, safety inspection, accident reports	In progress, little compliance.	20%		50%		75%		100%	0%	IPED/Com Services /Traffic Services		This could not be achieved due to lack of capacity as there is no person designated to ensure compliance	Make sure all health and safety measures are easily accessible	
8	Promote, implement and maintain security in all communities of Sakhisizwe	Control of financial/statistical reporting system for Traffic filing compliance.	100%	Administrative financial/statistical reporting. Compliance with traffic filing system interventions & turnaround strategy to improve compliance. Monthly & quarterly performance reporting	Lack of control and management	25% Turnaround Strategy developed and implemented		50% Implementation as per plan Compliant Traffic Filing System		75% Updated filing and implementation		100% Updated filing and implementation	100% <input type="checkbox"/> The municipality has developed an operational plan for traffic department	IPED/Com Services /Traffic Services		N/A	N/A	

13	Coordinator of the function	Reviews and updates traffic Monthly updates complete driver-personnel files and reports.	100%	Reviewed manuals, purchased through SCM. Updated personnel files and reports and updates monthly. SCM	Poor management Lack of control. Manuals require review.	25%	50%	75%	100%	100%	IPED/Com Services		N/A	N/A	
13	Coordinator of the function and Government of the Traffic Department.	Control and management of learners licenses, drivers licenses and roadworthy's full compliance with Road Traffic Act Records, statistics and records of cost implications updated monthly	100%	Quotations/purchases/payments to suppliers/report on upgrade	Poor management and lack of controls	25%	50%	75%	100%	100% <input type="checkbox"/> Inspection reports from the Department of Transport to ensure compliance with Road Traffic Act	IPED/Com Services/Traffic Services		N/A	N/A	




KPA2:ServiceDelivery(cont.)					KPAWeight	25%												
IDP No.	IDP Objective(*)	indicator of performance	Annual target	measurement source	Baseline	Targets					Indicator custodian	snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment			
						Q1	Act	Q2	Act	Q3						Act	Q4	Act.
13	Traffic	Testing terrain upgraded as per project plan.	100%	Terrain upgraded as per project plan.	Poor testing terrain	25%		50%		75%		100%	0%	IPED/Com Services/Traffic Services	<input type="checkbox"/> 	The testing terrain was not upgraded during the 2011/2012 financial year as the municipality was moving traffic services to where the testing ground is	Funding will be sourced to improve the security of the testing station	
		Traffic signs replaced as per project plan	100%	Quotations/purchases/payment to suppliers/maintenance schedules and reporting	Insufficient funds/lack of traffic signage	25%		50%		75%		100%	100%	IPED/Com Services/Traffic Services	<input type="checkbox"/> 	N/A	N/A	


9,13,6	Facilitate problem of quality education. Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Development of Policy and Procedures for utilization of pre-schools and community halls.	100%	Pre-schools Policy and Procedures. Community Halls Policy and Procedures.	Control and Policy required	50%		100% Approved Policies		100%	100%	100%	100%	100%	IPED/Community Services		N/A	N/A	
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Addressing the social needs of the community through attendance of social cluster meetings and implementation plans - improving public access to social services.	80%	Progress Reports/Reports from social needs cluster	Social Needs Cluster	25%		50%		65%	80%	100%	Attendance registers and roadshow minutes are kept that detail where social needs have been met	IPED/Community Services/Health CHDM		N/A	N/A		



7	To provide comprehensive integrated health services through PHC.	Management of PHC & promotion of Health Care	100%	Manage PHC and attend HIV/AIDS meetings. Minutes and quarterly reporting.	Functioning to a degree	25%	50%	75%	100%	0%	IPED/Community Services/Health CHDM	<input checked="" type="checkbox"/>	Provision of health services have reverted back to the Provincial Department Of Health	Remove from SDBIP when revised - no longer applicable	
		Lobby stakeholder through establishment of community forums.	80%	Establish Community Forums. Reports to Council.	Ongoing.	20%	40%	60%	80%	100%	<input type="checkbox"/> Community forums established. Established Sakhisizwe women's forum	<input checked="" type="checkbox"/>	N/A	N/A	
		Policy on Hawker Control	100%	Develop a policy on Hawker Control	No policy	80% Developed	100% Approved	100%	100%	100%	<input type="checkbox"/> Policy on hawker control developed as part of by-laws	<input checked="" type="checkbox"/>	N/A	N/A	
		Business Licenses	100%	Submission of Business Licenses. Monthly reports.	No proper control of business licenses issued.	25%	50%	75%	100%	0%	IPED/Community Services	<input type="checkbox"/>	The business licenses are issued through EHP deployed to the Municipality by the CHDM	Consolidation of proper data will be done during 2012/2013 financial year	
6		Library Service Level Agreement	100%	Library Service Level Agreement	No SLA in place.	25%	50%	75%	100%	100%	IPED/Community Services	<input checked="" type="checkbox"/>	N/A	N/A	



Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Library forum meetings occur as scheduled (quarterly)	100%	Minutes of Forum Meetings (1 per quarter)	Not fully functional.	25%	50%	75%	100%	0%	IPED/Com Services	<input type="checkbox"/> 	The library forum is not functional because schools do not attend meetings	Communication with the schools through the IGR will be improved	
	Database of Library users is verified, updated monthly, to ensure accuracy of information and statistics	100%	Completed database questionnaire. Updated and verified database. Monthly statistics and updates. Quarterly report to management	Unreliable database	25%	50%	75%	100%	100%	IPED/Com Services	<input type="checkbox"/> 	N/A	N/A	



KPA3: Municipal Transformation and institutional development										KPA Weight		15%							
ID P N o.	ID PO Objective (*)	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment			
						Q1	Act.	Q2	Act.	Q3	Act.						Q4	Act.	
13	Strengthening Good Governance and effective Administration – Staff	Staff meetings with departments held quarterly. Management meetings held monthly.	100%	Minutes/attendance register of departmental staff meetings and monthly management meetings	Not taking place as scheduled due to operational requirements. To be documented formally.	100%		100%		100%		100%	0%	IPED/Community Services	<input type="checkbox"/>	Staff meetings are not taking place as scheduled elsewhere operationally requirements	The Municipality plans to have formal meetings where minutes will be taken		
		Corrective actions on processes taken as per Action Plan	100%	Reports/progress reports	Reporting on resolutions actioned.			100%				100%	<input type="checkbox"/> corrective actions taken per audit plan	IPED/Community Services	<input type="checkbox"/>	N/A	N/A		
13	IPED/Community Services Standing Committees	Standing Committee meetings attended as scheduled.	100%	Attendance Register of meetings attended.	Schedule of meetings.	25%		50%		75%		100%	100%	<input type="checkbox"/> All standing committee meetings were attended by Community/IPED manager	IPED/Community Services	<input type="checkbox"/>	N/A	N/A	

13	Capacity Building and Training	Training needs factored into WSP for IPED and Community Services	70%	Training implementation reports; Training Needs Analysis	Absence/lack of required skill	25%		40%		50%		70%	100% <input type="checkbox"/> Training needs were factored into WSP for IPED and community services	IPED/Community Services	<input type="checkbox"/>		N/A	N/A	
		Training provided to staff as per Training Plan. 80% of budget spent on training of staff.	80%	Training Expenditure Reports; Training Implementation Reports	More coordinate training required	20%		40%		60%		80%	130% <input type="checkbox"/> Budget spent on training of staff	IPED/Community Services	<input type="checkbox"/>		R222,650 was spent on training out of a budget of R243,816 which resulted in achieving more than 80% targeted	N/A	
13	Reporting	Monthly SDBIP Reporting; Monthly Departmental Reports	100%	Monthly reports on SDBIP & Departmental Reports	Legislated reporting	25%		50%		75%		100%	100% <input type="checkbox"/> Mid term SDBIP report prepared	IPED/Community Services	<input type="checkbox"/>		N/A	N/A	


10	To create a safe and healthy environment by ensuring that land, natural resources and atmosphere were not contaminated.	Refuse plant and equipment services	90% of schedule	Monthly reports to manage and quarterly performance report to Council	Servicing not adequate	30%		60%		90%		90%	0%	IPED/Council Services	<input type="checkbox"/>	Due to financial constraints municipal trucks were used to address hazardous health situations	The municipality plans to source funding to obtain refuse trucks to address hazardous health situations	
	To provide comprehensive integrated health services through PHC.	Manage PHC by attending and managing HIV/AIDS meetings	100%	Attendance register Minutes of HIV/AIDS meetings Monthly management meeting and Quarterly Council meetings	Ongoing. Inadequate service provision.	25%		50%		75%		100%	0%	IPED/Council Services	<input type="checkbox"/> 	The HIV/AIDS committee was not functional during 2011/2012 financial year due to resignation of chairperson	The municipality plans to appoint a full time employee to facilitate the HIV/AIDS committee	


ID	IDPO Objective (*)	Indicator of performance	Annual measurement	Baseline	Targets					Indicator	Snapshot	Reason for variance	Remedial Action	General Comments					
					Q1	Act.	Q2	Act.	Q3						Act.	Q4	Act.		
13	Community Services Department Audit Report - Local government to obtain clean audit reports for 2011	70% attainment of clean audit reports applying the provisions of the Audit Plan	70%	AG report/progress reports/Strategy to address queries	Qualified report	25%		50%		70%		70%	0%	IPED	<input type="checkbox"/>		A qualified audit opinion was obtained for 2010/2011 financial year	An audit action plan will be adhered to, to work towards a clean audit	
13	Improvement in the Financial Viability and Financial Management of local government	Compliance with the SCM policy by correct drafting of Tender Specifications; Bid Reports, Awards, Appointments; Payments	100%	Bid reports/awards/contractors appointments/payments/compliance report.	Unknown	100%		100%		100%		100%	100%	IPED	<input type="checkbox"/>		N/A	N/A	




Improvement in the Financial Viability and Financial Management of local government	95% expenditure on operational votes	95%	Expenditure report; monitoring votes/monthly reports	MFMA requirements	25%		50%		75%		95%	0%	IPED	<input type="checkbox"/> 	Financial information is not presented in format to enable reporting against KPI	Accounting system to be reconfigured to meet with performance reporting requirements	
	95% expenditure on Capital votes	95%	Expenditure report; monitoring votes/monthly reports	MFMA requirements	100%		100%		100%		100%	0%	IPED	<input type="checkbox"/> 	Financial information is not presented in format to enable reporting against KPI	Accounting system to be reconfigured to meet with performance reporting requirements	

		Provide updated reports on the collection of monthly rental for the lease of sports fields	100%	Monthly reports to Finance on rental collections	MFMA requirements	100%		100%		100%	0%	IPED	<input type="checkbox"/> 	The sports field are not leased & no rental income is collected. 3 financial year only collected for sport centres at the fields - however no leases in place	A proper utilisation plan will be developed for 2012/2013 financial year			
		Submission of quarterly reports on PHC to Province regarding expenditure	100%	Quarterly expenditure reports to Province	Reports provided	25%		50%		75%		100%	0%	IPED	<input type="checkbox"/> 	PHC has been transferred back to the Department of health	PHC has been transferred back to the Department of Health / KPI no longer applicable	

PA5: Good governance and Public participation																		
KPA Weight											20%							
IDP No.	IDP Objective(*)	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment	Reason for variance	Remedial action	General Comment		
						Q1	Act	Q2	Act	Q3	Act						Q4	Act
13	Accountable and transparent program that leads to good governance, effective administration and public participation	CSSM and IPE Department Annual Report prepared for 2008/2009	100%	Departmental Annual report submission 30 November 2010 & Council approval 30 January 2011	Legislated Annual requirement								100%	IPED/Com Services/Snr Staff	<input type="checkbox"/>	N/A	N/A	

6	Performance Management	Performance Management applied as per PMS approved policy and quarterly milestones by conducting assessments and evaluations.	100%	Assessment and devaluation reports.	In progress. Only applicable to 57 employees.	25%		50%		75%		100%	0%	IPED/Com Services/Snr Staff	<input type="checkbox"/>	There is no approved PMS framework, therefore PMS not implemented	The Municipality plans to implement the performance management system during the 2012/2013 financial year
																	

		Populate and finalise PMS score card and sign PMS Agreement for 57 managers and applicable staff per rollout requirements.	100%	Structured PMS system populated and signed Agreement Monitoring/Evaluation of Performance Legislative compliance	In progress. Only applicable to 57 employees.	100%		100%		100%		100%	50% <input type="checkbox"/> PMS score card was populated for S57 Manager	IPED/Com Services/Snr Staff <input type="checkbox"/>		Management engaged the Council to do the PMS framework, however the process was reversed by the Council and such roll out plan for the assessment of the middle managers was not developed	The Municipality plans to implement the performance management system during the 2012/2013 financial year	

		Performance Management scorecard cascaded to middle management level	100%	Letters/reports/scorecard/progress reports.	In progress. Only applicable to 57 employees.	25%		50%		75%		100%	0% <input type="checkbox"/> PMS scorecard not cascaded to middle management level	IPED/Community Services/Snr Staff	<input type="checkbox"/> 	Management engaged the Council to do the PMS framework, however the process was reversed by the Council and as such the roll out plan for the assessment of the middle managers was not developed	The Municipality plans to implement the performance management system during the 2012/2013 financial year		
		Corrective action in Action Plan	100%	Letters/reports/progress report as per required action plans from evaluations.	In progress. Only applicable to 57 employees.			100%	December 2010			100%	June 2011	100%	IPED/Community Services/Snr Staff	<input type="checkbox"/> 	N/A	N/A	
	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Updated lease agreements for sports fields	100%	Lease agreements updated	Lease agreements require review	100%		100%		100%		100%	0%	IPED/Corporate Services/Community Services	<input type="checkbox"/> 	No lease agreements in place	By-laws are currently being developed that will address the drawing up of lease agreements		

	To ensure that communities have access to appropriate and adequate waste management.	Pro-active Waste Management Plan	100%	Approved Pro-active Waste Management Plan	No Plan-poor management	30%	100% Approved Plan		100%		100%	100% Waste management plan was developed	IPED/Community Services	<input type="checkbox"/>	N/A	N/A	
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		Landfill Site Plan produced as per GRAP compliance	100%	Landfill Site Plan	No plan in terms of GRAP compliance	60%	100% Approved plan		100%		100%	0%	IPED/Com m Services	<input type="checkbox"/>	No plan in place	The Municipality is in the process of developing a GRAP compliant Landfill Site Plan, will be complete in 2012/2013 financial year	
		Waste Management By-Laws developed and approved with Implementation Plan	100%	Waste Management By-Laws approved. Implementation Plan approved	By-Law to be developed. No implementation Plan	30%	80% By-law development implementation plan developed		100% Council Approved		100%	100%	Waste management plan developed and implemented	<input type="checkbox"/>	N/A	N/A	

CMC1: Financial Management														KPA Weight	4%			
ID	Objective	Indicator of Performance	Annual Target	Measurement Source	Baseline	Targets						Indicator Custodian	Snapshot Assessment	Reason for Variance	Remedial Action	General Comment		
						Q1	Act	Q2	Act.	Q3	Act						Q4	Act.
13	Compile and manage budgets, controls, cash flow, risk management and administrative procurement processes in accordance with generally accepted financial practices in order to ensure the achievement of strategic municipal objectives	Align expenditure to cash flow projection to ensure effective budgeting and ensure that no over or under-expenditure occurs.	100%	Monthly expenditure reports.	Expenditure reporting occurs.	25%		50%		75%		100%	Not evaluated in the SDBIP 2011 - 2012	IPED/Com	?	N/A	N/A	
		Manages	70%	Quarterly	Many risks	20		35%		50%		75	Not evaluated in the SDBIP 2011 - 2012	IPED/Com	?	N/A	N/A	



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CMC2: People Management and Empowerment					KPA Weight	4%												
IDP No.	ID Objective	Indicator of Performance	Annual target	Measurement source	Baseline	Targets				Indicator custodian	Snapshot assessment	Reason for variance	Remedial action	General Comment				
						Q1	Q2	Q3	Q4									
13	To protect the firm from litigation.	Ensure training provision for all in a manner application of discipline.	100%	Training Records. Attendance Records	Training provision limited.	25%	50%	75%	100%	Not evaluated in the SDBIP 2011 - 2012	IPED/Com		N/A	N/A				

3	To capacitate staff.	Provision of PMST training to all relevant departmental staff in order to facilitate rollout to lower levels.	100%	Training Record and attendance Register	Applicable to 57 managers - limited training.	25%		50%		75%		100%	Not evaluated in the SDBIP 2011 - 2012	IPED/Com <input type="checkbox"/>		N/A	N/A	
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CMC3: Client orientation and Customer Focus					KPA Weight	4%									
IDP No.	IDP Objective	Indicator of Performance	Annual target	Measurement source	Baseline	Targets				Indicator custodian	Snapshot assessment	Reason for variance	Remedial action	General Comment	
						Q1	Q2	Q3	Q4						
13	Improved Customer Care	Develop Customer Care Strategy and Implementation Plan for the Department.	100%	Complaints register developed, Strategy and Implementation Plan approved, Quarterly Implementation Report.	No strategy or plan.	25%	50%	75%	100%	Not evaluated in the SDBIP 2011 - 2012	IPED/Com	?	N/A	N/A	
13	To improve staff customer care skills for best practice	Provision of Customer Care workshop to all staff.	30%	Training Records/register	No customer care training.	10%	20%	30%	30%	Not evaluated in the SDBIP 2011 - 2012	IPED/Com	?	N/A	N/A	

Technical Services

KPA 2: Service Delivery													KPA Weight 2			
ID P N o.	IDP Objective	Indicator of performance	Annual target	measurement source	Baseline	Target Q1	Quarterly				Act.	Indicator	Snapshot assessment (annual)	Reason for variance	Remedial Action	General Co
							Act.	Q2	Q3	Q4						
4	To ensure that all public amenities and communities have access to electricity by 2011	Replace meters and service connections as per Project Plans to upgrade networks	100%	Monthly and quarterly statistical reports on electricity losses/ Implementation strategy/ Programme to reduce losses/ Progress reports	Limited funding/ poor electrical infrastructure	25%	50%	75%	100%	0%	TS & ELEC		Network upgrade was done during the financial year of 2009/10. The Municipality is required to maintain electricity in Elliot town, Hill view and Takalani location. Maintenance and	This KPI is a once off event that happened during 2009/2010 financial year and therefore it is not feasible to do it every financial year - it should be removed during revision of SDBIP		
4	To ensure that all public amenities and communities have access to electricity by 2011	Establish database records of statistics and baseline information of electricity sold; losses (faults recorded); New connections and serviced and replaced meters.	100%	Electricity Database information verified and updated monthly	Inaccurate or no information	25%	50%	75%	100%	100%	TS & ELEC		N/A	N/A		

4	To ensure that all public amenities and communities have access to electricity by 2011	Free Basic Services Provision as per roll out plan	100%	Monthly Progress Report on Free Basic Service Roll out Plan	Roll out targets to be met.	25%		50%	75%	100%	100%	TS & ELEC	<input type="checkbox"/>	N/A	N/A	
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KPA 2: Service Delivery (cont.)												KPA Weight 2		Indicator	Snapshot Assessment	Reason for variance	Remedial Action	General Comment
IDP Objective	Indicator of performance	Annual target	measurement source	Baseline	Target	Q1 Act.	Q2 Act.	Q3 Act.	Q4 Act.	Act.	Act.							
1	To ensure that all public amenities and communities have access to electricity by 2011	Ensures that electricity complaints are recorded and processed effectively.	100%	Monthly progress reports and statistics	Ongoing attempts to improve service delivery customer satisfaction.	25%	50%	75%	100%	100%	100%	Electricity & complaints are recorded and processed effectively	<input type="checkbox"/>	TS & ELEC		N/A	N/A	
		Provide adequate stormwater	100%	Project Progress Reports	inadequate/poor roads	10%	30%	50%	100%	100%	100%	Stormwater for	<input type="checkbox"/>	TS & PM		N/A	N/A	

To provide sustainable functional internal and access and proclaimed road network by 2011	Appointment of consulting engineers	100%	Appointment contracts	Lack of capacity	100%	100%	100%	100%	100%	TS & PM U	N/A	N/A
	Design & documentation approved for roads, access roads, pavements, bridges & stormwater	100%	Approved documentation and Plans	Planning required	50%	100%	100%	100%	100%	TS & PM U	N/A	N/A
	Appointment of contractors	100%	Contracts appointment	Lack of capacity	100%	100%	100%	100%	100%	TS & PM U	N/A	N/A
Stormwater Master Plan approved and functional Construction to occur as per project planning	Stormwater Master Plan approved and functional Construction to occur as per project planning	100%	Approved Stormwater Master Plan	Not available	100%	100%	100%	100%	100%	TS & PM U	Stormwater Master Plan forms part of the Infrastructure Master Plan, which the Municipality has not yet developed.	An infrastructure master plan will be developed for 2012/2013 financial year
		100%	Project progress reporting monthly	Poor infrastructure	25%	50%	75%	100%	100%	TS & PM U		N/A




																			N/A		
1	Ongoing Construction and Maintenance of Roads	Construction maintenance of roads in wards as per approved project plans	100%	Quotations payments to suppliers/maintenance schedules, Project Progress Reporting	/Poor road infrastructure	25%		50%	75%	100%	100% roads in wards were constructed as per project plan	<input type="checkbox"/> RTS & ROADS	<input type="checkbox"/> SUP	N/A	N/A						

1	Material Purchases	Purchase Stormwater pipes and material (ongoing - on a need basis - within prescribed budget limit for Financial Year)	Ongoing Basis)	(Need	Monthly expenditure reports, Monthly operational reports	Lack/ stormwater infrastructure	poor	25%		50%	75%	100%	Stormwater & pipes material was purchased	TS ?	N/A	N/A	
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KPA2:ServiceDelivery(cont.)

IDP No.	IDP Objective	indicator of performance	Annual target	measurements source	Baseline	KPA Weight		Q1 Act.	Q2 Act.	Q3 Act.	Q4 Act.	Indicator custodian	Snapshot	Reason for variance	Remedial Action	General Comment
						25%	eight									

1	Surfacing of roads/Pothole maintenance	Resurfacing of roads and pothole maintenance as per Project Plans	100%	Quotations/Purchases/Payments to suppliers/maintenance schedules. Monthly progress reports	Poor/deteriorated surfacing of roads	25%	50%		75%	100%	100%	TS&P PMU	<input type="checkbox"/>	N/A	N/A	
1	Construct gravel access roads with relevant stormwater drainage Provision of permanent surfacing of roads	Construction of gravel access roads with relevant stormwater drainage in identified wards.	100%	Quotations/Purchases/Payments to suppliers/maintenance schedules	Limited access roads to villages for communities to reach services	25%	50%		75%	100%	100% Gravel roads were constructed with appropriate stormwater drainage	TS & PMU	<input type="checkbox"/>	N/A	N/A	
1	Roads Master Plan	Roads Master Plan approved and functional	100%	Approved Roads Master Plan	No plan	25%	50%		75%	100%	0% Roads Master Plan was not approved	TS & PMU	<input type="checkbox"/>	Roads Master Plan forms part of the Infrastructure	An infrastructure plan will	

1	Roads Projects- apply the following processes	Appointing consulting engineers	100%	Tenderspecs/Advert/Bid award/Bid Minutes/Council approval	Lack of capacity						100% <input type="checkbox"/> Engineers were appointed	TS & PMU		N/A	N/A
		Design & documentation approved for each project	100%	Design documents approved Project plans approved	Planning required	50%	100%	100%	100%	100%	100%	TS & PMU		N/A	N/A
		Appointment of contractors	100%	Appointment contractors	Lack of capacity	100%	100%	100%	100%	100%	100%	TS & PMU		N/A	N/A
		Construction of roads as per Project Plans	100%	Quotations/Purchases/Payments to suppliers/	Poor infrastructure	25	5	7	1	100% <input type="checkbox"/>	TS &		N/A	N/A	

			maintenanceschedul esMonthlyprogresssc hedules		%	0 %	5 %	0 %	Roads constru cted per plan	PMU				
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KPA2:ServiceDelivery(cont.)								KPAWeight	25%									
ID	Objective	indicatorofperformance	An	measurementsource	Baseline	Target						Indi	sn	Rea	Re	me	G	e

FN		nu			Q1	A	QA	QA	QA	Act.	cat	ap	son	dial	n
					ct.	ct.	2c	3c	4c	%	rcus	sh	for	Act	e
1	Purchase of tools/Equipment Enhance Service Delivery	Purchase Tools/Equipment (by implementing supply chain processes) to enable transporting of material to working site and the maintenance and construction of function to take place as per capital project specifications.	100%	Tenders specs/Advert/Bid award/Bid Minutes/Council approval/proof of purchase (tools/equipment/payments)	Shortage of tools/Equipment	100%	100%	100%	100%	100%	TS		N/A	N/A	
	Building plan & TP approvals	Building plan applications approved within 2 months	100%	Building Plan approvals/Payments /Report to Standing Committee	Absence of Building Control Officer	100%	100%	100%	100%	100%	TS	<input type="checkbox"/>	Register of applications is kept, however does not detail the approval date	Register details application is on and approval date will be kept for 2012/2013 financial	

																				year
	Subdivisions of informal sites: formalization of Housing	100%	Subdivisions to commonage to accommodate Housing: Service Provider to obtain SG approval	Informal sites	25%	50%	75%	100%	100%	TS			N/A	N/A						
To create a safe and healthy environment by ensuring that land, natural resources and atmosphere are not contaminated	Audit land: Service Provider to survey & submit report to define way forward in respect of land audit of land encroachments	100%	Land Audit Report	No land audit	30%	75%	100%	100%	<input type="checkbox"/> The service provider was appointed to conduct the land	TS/IP ED & HOUSING OFFICER			N/A	N/A						
To ensure that all Sakhi size communities have access to clean water	Establish Database on Water Management and Operations	80%	Water database on Water Management and Operations Customer Survey Questionnaire responses	No database	40%	75%	80%	100%		TSM			<input type="checkbox"/> N/A	N/A						
	Complaints Register and increase in response time	100%	Updated Complaints Register	No register customer unhappiness	25%	50%	75%	100%		TSM	<input type="checkbox"/>		<input type="checkbox"/> N/A	N/A						

by2014	ServiceLevelAgreementapprovedbetweenCHDM andSakhisizwe	100%	ServiceLevelAgreementsigned	NoServiceLevelAgreement	75%	100%	100%	100%	100%	TSM	<input type="checkbox"/>	N/A	N/A		
	Allfaultywatermeterstobereplaced	100%	MonthlyProgressReports	AgeingInfrastructure	25%	50%	75%	100%	100% Expenditure report clearly showing all expendi	TSM	<input type="checkbox"/>	N/A	N/A		
KPA2:ServiceDelivery(cont.)						KPAW2									
IDPNC	IDPObjective	indicatorofperformance	Annualtarget	measurementsource	Baseline	Target	Actual	Actual	Actual	Actual	Indicator	Snapshot	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Q3	Q4	Act.	custodian	as se			
2	ToensurethatallSakhisizecommunitieshaveaccesstoappropriateandadequatesanitationby2014	EstablishdatabaseonSewerageManagement	100%	SewerageManagementDatabase QuarterlyProgressReportson developmentofdatabase	Nomeasurement	25%	50%	75%	100%	100%	TSM	<input type="checkbox"/>	N/A	N/A	
		ComplaintsRegistermonitoringandcontrolre-faults,sewerageblockages,VIPblockagesandnewsewerageconnections	100%	ComplaintsRegisterStatisticalRep ortsMonthlyactivityreports	Nomeasurement	25%	50%	75%	100%	100% Complaints register is mai	TSM	<input type="checkbox"/>	N/A	N/A	

	Manage health hazards by purchasing and applying bacteriological inoculants to improve breakdown	90%	Monthly Progress Reports	Inadequate/inefficient treatment of sewerage	80%	90%	90%	90%	100%	TSM		N/A	N/A	
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KPA2: Service Delivery (cont.)

IDFN	Objective	indicator of performance	Annual target	measurement source	Baseline	KPA Weight				Act.	Indicator today	snapshot	Remarks	Remedial Action	General Comment
						Q1	Q2	Q3	Q4						
2	To ensure that all Sakhisize communities have access to appropriate and adequate sanitation by 2014	Establish database on Sewerage Management	100%	Sewerage Management Database Quarterly Progress Reports on development of database	No measurement	25%	50%	75%	100%	100%	TSM		N/A	N/A	

	Complaints Register monitoring and control re-faults, sewerage blockages, VIP blockages and new sewerage connections	100%	Complaints Register Statistical Reports Monthly activity reports	None measurement	25%	50%	75%	100%	100% <input type="checkbox"/> Complaints register is maintained	TSM		N/A	N/A	100%
	Manage health hazard s by purchasing and applying bacteriological inoculants to improve breakdown	90%	Monthly Progress Reports	Inadequate/inefficient treatment of sewerage	80%	90%	90%	90%	100%	TSM	<input type="checkbox"/> 	N/A		

				KPA Weight		20%
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				Baseline	Targets					Indicator	Snapshot	Reason for variance	Remedial Action	General Comment	
					Q1	Act.	Q2	AQC3	AQC4						Act.
Spatial Development	Facilitate implementation of Spatial Development Framework as per implementation plan	90%		Effective Implementation of framework required	25%		50%	75%	100%	<input type="checkbox"/> Implementation of Spatial Development Framework was done	TSM & IPE D	<input type="checkbox"/>	N/A	N/A	


	Develop Land Use Management Plan and Land Settlement Plan	70%		Not yet in place. Assistance with IPE D	80% developed		100% approved	100%	100%	100%	Land use management and settlement plans	TS & IPE D	<input type="checkbox"/>	Land audit taken, was not approved	The KPI has been removed from Tech
Disaster Management - Developed of and integrated and sustainable disaster management plan	Develop Disaster Management Plan with CHDM and Provincial Government	70%		Lack of an integrated approach to disaster management. Funding challenges.	20% planning		35% Planning	50% Planning	70% Completion	100%	TS & IPE D	<input type="checkbox"/>	The disaster management planning process is the core business of the	The disaster management planning process is the core business of the	

KPA4: Financial Management and viability				KPA Weight	1
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ID	Objective(*)	indicator of performance	Annual target	measurements source	Baseline	Targets					Indicator	status	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Q3	Q4	Act.					

<p>Community Services Department Audit Report - Local government to obtain clean audit reports for 2011</p>	<p>70% attainment of a clean audit by applying the provisions of the Audit Plan.</p>	<p>70%</p>	<p>AG report/progress reports /Strategy to address queries as per audit plan.</p>	<p>Qualified report</p>	<p>2</p>	<p>5</p>	<p>0</p>	<p>%</p>				<p>70%</p>	<p>TSM</p>	<p><input type="checkbox"/></p>	<p>A qualified audit opinion was obtained in 2010/2011</p>	<p>A commitment register which appears on the municipalities audit action plan will be developed for 2012/2013 financial year</p>
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133	Improvement in the Financial Viability and Financial Management of local government	Compliance with the SCM policy by correct drafting of Tender Specifications; Bid Reports, Awards, Appointments; Payments	100%	Bid reports/awards/contractors appointments/payments/reports	Unknown	100%	100%	100%	100%	100%	TSM		N/A	N/A	
133		95% expenditure on operational votes	95%	Expenditure report; monitoring votes/monthly reports	MFMA requirements	25%	50%	75%	90%	90%	TSM		Financial information is not presented in a format to enable reporting on KPI	Accounting system to be reconfigured to meet with performance reporting requirement	

	95%expenditureonCapitalvotes	95%	Expenditurereport;monit oringvotes/monthlyreport s	MFMArequirement s	1 0 0 %	1 0 0 %	10 0 %	10 0 0 %	10% TSM		Financia l informati on is not presente d in a format to enable reporting on KPI	Acco untin g syst em to be reco nfigu red to meet with perf orm ance repo
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KPA5: Good Governance and Public Participation				KPA Weight	15%										
IDP Objective(*)	indicator of performance	Annual target	measurements source	Baseline	Targets					Indicator custodian	snapshot assessment	Reason for variance	Remedial Action	General Comment	
					Q1	Q2	Q3	Q4	Act.						

<p>1 3</p> <p>Accountable and transparent programs that lead to good governance, effective administration and public participation</p>	<p>TSD Department Annual Reports and Oversight Reports submitted timeously and within correct format</p>	<p>100%</p>	<p>Departmental Annual Report submission by 30 November 2009 & Council approval by 31 March 2010</p>	<p>Legislated Annual requirement</p>	<p>100%</p>	<p>100%</p>	<p>100%</p>	<p>100%</p>	<p>TSM & SN RST AFF</p>	<p><input type="checkbox"/></p> 	<p>N/A</p>	<p>N/A</p>
<p>1 3</p> <p>Performance Management</p>	<p>Corrective actions on processes/PDP are reflected in Action Plans and resolved as per plan</p>	<p>100%</p>	<p>Letters/Reprots/Progress Reports</p>		<p>100%</p>	<p>100%</p>	<p>100%</p>	<p>TSM and IS 57 Managers</p>	<p><input type="checkbox"/></p> 	<p>N/A</p>	<p>N/A</p>	

	The Performance Management Agreement of the S57 Manager to be signed	100%	Status of S57 Performance Agreement (signed/unsigned)	Performance Agreements up to date but required to be signed annually	100%	100%			100%	TSM and S57 Managers	<input type="checkbox"/>	N/A	N/A
	Implementation of Institutional PMS	90%	Performance Reporting as per Policy. Council reports. Scorecards.	Only applicable to S57 Managers	20%	40%			0%	TSM and S57 Managers		Performance management system was not implemented	Hold workshop and present the need of PMS to the Council
	Performance Management Policy applied to next level of Management (middle)	90%	Middle Management score cards, Middle management assessments, Monthly and quarterly PMS reports	Only applicable to S57 Managers	20%	40%			0%	TSM and S57 Managers		Management engaged the Council to do the PMS framework, however the process was reversed by	Hold workshop and present the need of PMS to the council

CMC1: Financial Management																		
IDP	IDP Objective	indicator of performance	Annual target	measure source	KPA Weight	4								Indicator custodian	snapshot	Reason for variance	Remedial Action	General Comment
						Baseline	Targets											
						Q1	A ct 2	A ct 3	Q 3	A ct 4	A ct.							
13	Compiles and manages budgets, controls cash flow, institutes risk management and administers tender procurement processes in	Align expenditure to cash flow projection to enable effective budgeting and ensure that no over-or under-expenditure occurs.	100%	Monthly expenditure reports.	Expenditure reports occur.	25%					100%	Not evaluated in the SDIP 2011-2012	TSM	?				
		Manages risks identified by the Auditor General as assessment of the Annual Report and meets 70% of remedial issues identified in the Audit Action Plan.	70%	Quarterly feedback/progress report.	Many risks identified re-controls.	20%					75%	Not evaluated in the SDIP 2011-2012	TSM	?				

CMC2: People Management and Empowerment																		
IDP	IDP Objective	indicator of performance	Annual target	measure	KPA Weight	4								Indicator	snapshot	Reason	Re	Gen
						Baseline	Targets											
						Q1	A ct 2	A ct 3	Q 3	A ct 4	A ct.							

No.				mentsource		Q1	A	Q2	Q3	A	Q4	A	atorc	pshtarg	onfor	med	eral
13	To protect the municipality from litigation.	Ensure training provision for all line managers as per training plan management and application of discipline.	100%	Training Records. Attendance Records.	Training provision unlimited.	25%	50%	75%	100%	Not evaluated in the SD BI S	TSM	?					
13	To capacitate staff	Provision of PMST training to all relevant staff in order to facilitate rollout to lower levels.	100%	Training Records and attendance Register	Applications 57 managers - limited	25%	50%	75%	100%	Not evaluated in the S	TSM	?					

CMC3: Client orientation and Customer Focus					KPA Weight	4									
IDPN	Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets				Actual	Indicator custodian	Snapshot assessment(a)	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Q3	Q4						
13	Improved Customer Relations	Develop Customer Care Strategy and Implementation Plan for the Department.	100%	Complaints register developed, Strategy and Implementation Plan approved, Quarterly Implementation Report.	No strategy or plan.	25%	50%	75%	100%	Not evaluated in the SDB IP 2011 - 2012	TSM	?			

1 3	To improve Staff Customer Care Skills for best practice	Provision of Customer Care workshops to all staff.	30%	Training Records/register	No customer care training.	10%	20%	30%	30%	Not evaluated in the SDB IP 2011 - 2012	TSM	?				
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Office of the Municipal Manager




KPA1: Local Economic Development					KPA Weight		10%										
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Ac t.	Q2	Ac t.	Q3	Ac t.						Q4

12,13	To combat and reduce the spread of HIV/Aids by 2014	Strategically manage the establishment of PAC and prepare ToR. Appoint Service Provider. Preparation & implementation of HIV/Aid	50%	Completed HIV/AIDS Strategy. Quarterly Reports. Reports from Dept of Health/CHDM.	HIV prevalence % unknown established, literature reviews and ToR. Consultation with st	20%		30%	40%	50%	0%	MM/Comm Services/SPU/CHDM	<input type="checkbox"/>		The HIV/ AIDS committee is not functional during 2011/2012 financial year due to resignation of Chairperson	The Municipality plans to appoint a full time employee to facilitate the HIV/AIDS committee
12,13	To promote and monitor the effective and efficient functioning of the SPU	Policy on mainstreaming of special programmes (women, youth and disabled) includes HIV/AIDS programmes	90%	Policy on mainstreaming developed, includes HIV/AIDS programmes	No Policy	20%		40%	60%	90%	0%	MM/SPU UNIT /IPED/LED	<input type="checkbox"/>		The HIV/ AIDS committee (including special programmes) was not functional during 2011/2012 financial year due to resignation of Chairperson	The Municipality plans to appoint a full time employee to facilitate the HIV/AIDS committee
13,5	To alleviate poverty and promote massive food production	Strategically manage the implementation of LED Strategy and set ToR	80%	Implementation of LED strategy. Alleviation programmes - ToR	Weak LED strategy. Capacity issues.	20%		40%	60%	80%	100%	MM/SPU UNIT/LED	<input type="checkbox"/>			
5	To ensure	Strategically	80%	Improved LED	Weak LED	20%		40%	60%	80%	100%	MM/SM/LED			N/A	N/A



	Strategy Plan is developed by 2010	Improvement in LED, and LED Sector Plans. Strategic Planning Workshop held. To be developed & strategy for fundraising for LED. Implementation		Strategy, Sector Plans, fundraising strategy, Workshop attendance/implementation reports	Strategy	%	%	%			LED strategy developed				
5	To ensure that the Tourism Sector Plan is in place	Strategically manage the establishment of Tourism through development	80%	Tourism plan and implementation report	Tourism established. Limited funding-outsourced.	20%	40%	60%	80%	100%	100% LED strategy developed	MM/IPED/LED	<input type="checkbox"/>	N/A	N/A
5	To create an economic vibrant environment that is conducive	Strategically manage the coordination of different programmes from	100%	Report on participation	In progress	25%	50%	75%	100%	100%	100%	MM/TS	<input type="checkbox"/>	N/A	N/A
5	NDGP (2016)	Strategically manage the generation of the creation of employment opportunities and potential income as per strategy.	100%	Participation Report	Limited funding	25%	50%	75%	100%	100%	30 General Workers were employed during 2011 - 2012 FY	TS/MM/IPED	<input type="checkbox"/>	N/A	N/A

KPA2: Service Delivery					KPA Weight		15%							Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment
ID P No	Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets												
						Q1	Act	Q2	Act	Q3	Act	Q4	Act.					

13	Focus on the improvement of delivery of core powers and functions of local government	Strategically manage and monitor KPA's of service delivery units within the Municipality (IPED, Technical, Budget & Treasury and Community Ser	100%	Monthly departmental progress reports aligned to target set per IDP/SD BIP, SDBIP report ing quarterly to Council	Available SDBIP Monthly reporting	25%	50%	75%	100%	100%	MM		Roads Master Plan forms part of the Infrastructure Master Plan, which is not yet developed	N/A		
	4	Toprovidefr eebasicser vices to the indigent by 2014	Ensure there is review and implementation of a fully functional Indigent Policy and Register	90%	Indigent Policy reviewed Indigent Register updated	Reviewed Indigent Policy and register/Effective Indigent Policy and access to BSD	25%	50%	75%	90%	100%	CFO	 <input type="checkbox"/>	Roads Master Plan forms part of the Infrastructure Master Plan, which is not yet developed	N/A	
	1	Toprovidesustainable functional internal access and proclai	Strategically manage and monitor to ensure Technical Services put	100%	Roads Master Plan approved	Absence of Roads Master Plan	25%	50%	75%	100%	0% <input type="checkbox"/> Roads Master Plan was not approved	MM/TS/PMU Manager		Roads Master Plan forms part of the Infrastructure Master Plan will be developed	An Infrastructure Master Plan will be developed	
		2	That all communities have access to appropriate and adequate sanitation and Water by 2014	Strategically manage and monitor and ensure IPED	100%	Implementation of Waste Management Plan/Council approved/Q	Non implementation of Waste Management Plan	25%	50%	75%	100%	100% <input type="checkbox"/> Waste management plan developed	MM/IPED	<input type="checkbox"/> 	N/A	N/A
		Strategically monitor ongoing maintenance and repair work and continuous treatment in respect of Bulk Water Supply, Water treatment, Sewerage	100%	Performance as per Maintenance Programme Targets, Water and Sewerage Report, Treatment Reports, Faults and Repair Statistics Report, quarterly reports.	Poor, ageing infrastructure, Lack of qualified operators	20%	40%	60%	100%		TS/CHDM WSA Officer	<input type="checkbox"/>				




3	To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Strategically monitor the development of Housing Sector Plan and submission of funding applications to Dept of Housing. Ensure that funding opportunities are sourced and public-private partnerships promoted	100%	Housing Sector Plans. Funding applications to DoH to top up funding. Monthly/quarterly reports, letters, funding applications. Reports from DoH and PPP reports	No Housing Sector Plan. No alignment to future housing projects to community needs	70%	100%	100%	100%	100%		IPED/Comm Services	☐				
KPA2: Service Delivery (cont)					KPA Weight 15%												
ID P N o.	ID Objective	Indicator of performance	Annual target	Measurements	Baseline	Targets						Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Act.	Q2	Act.	Q3	Act.						Q4
4	To ensure that all public amenities and communities have access to electricity by 2011	Strategically monitor electrical reliability and sustainability in order to ensure that a quality service is provided.	100%	Quarterly reports. Maintenance and operational reports.	Ageing infrastructure. Limited funding. Reliant on Eskom	100%	100%	100%	100%	100%	100%	MM, TS & Electricity	☐ 	N/A	N/A		
6	Ensure the establishment of sufficient social and recreational facilities for our community by 2014	Strategically manage all planned social and recreational projects as planned.	100%	Implementation Reports. Quarterly reports.	Ongoing. Financial limitations	25%	50%	75%	100%	100%	MM/ IPED/ Comm Services	☐ 	N/A	N/A			
7	To provide comprehensive and integrated health services	To strategically manage the provision of an integrated PH Casper Project Plan	100%	Quarterly reporting	In progress	25%	50%	75%	100%	0%	MM/ IPED/ Comm Services	☐ 	No longer a core function of the Municipality - moved to Province	No longer a core function of the Municipality - remove from			

8	Promote, implement and maintain safety and security in all communities at Sakhisizwe	Strategically manage the Crime Prevention Campaigns and Street Lighting initiative support this process.	100%	Quarterly Reporting	In progress	25%	50%	75%	100%	100%	MM/IPED/Comm Services	<input type="checkbox"/>	N/A	N/A	
9	Facilitate quality education provision.	Strategically manage and support all efforts to improve education provision as per project.	100%	Quarterly Reporting	In progress	25%	50%	75%	100%	0%	MM/IPED/Comm Services	<input type="checkbox"/>	Education is not the core function of the municipality, however the Municipality deliberates	IGR forum will support all efforts to improve education provision	
10	To create a safe and healthy environment by ensuring air is not contaminated	Strategically manage all efforts related to environmental management as: Environmental Waste Management Plan, Greening projects and Business/Hawkers Forums	100%	Quarterly Reporting	Ongoing	25%	50%	75%	100%	67%	MM/TS	<input type="checkbox"/>	The solid waste site plan has been developed; approved by MIG and is in the process of being developed	Business/Hawker forums will be established during 2012/2013 financial year	
11	To ensure the implementation of functional and efficient structures and mechanisms to deal with disasters effectively.	Strategically manage the Disaster Management Planning Process	100%	Quarterly Reporting	In progress Ongoing	25%	50%	75%	100%	0%	MM/IPED/Comm Services	<input type="checkbox"/>	Disaster management planning process is the Municipality's core function. The Municipality acts as implementing agent	Disaster management planning process is the Municipality's core function. The District Municipal acts as implementing agent	
KPA3: Municipal Transformation and institutional development						KPA Weight					15%				
ID	ID Objective(*)	Indicator of performance	Annual target	Measurement source	Baseline	Targets					Indicator custodian	Snapshot assessment	Reason for variance	Remedial Action	General Comment

N o.						Q1	Act	Q2	Act	Q3	Act	Q4	Act.	an	ment(annual target)				
1 3	Good governance and effective administration, Improved human resource of focal government by 2011	Organisational performance managed through application of approved Performance Management Framework and System.	100%	Institutional score card approved by Council. PMS Framework approved Quarterly Performance Reporting	PMS only applicable to 57 staff. No framework.	25%		50%		75%		100%	0% <input type="checkbox"/> Performance management framework and system not developed	CSM/MM		Performance Management System (PMS) was not populated as there is no approved guide/framework	The CoGTA has been requested to facilitate development of policies including PMS. This work will take place in the first quarter 2012/2013		
	Good governance and effective administration, Improved human resource of focal government by 2011	PMS rolled out to middle management from S57 level	50%	PMS reports/evaluations/PMSPolicy/quarterly reports to SConPMStar get progress as per SDBIP (each department) PDP & 25% progress to M&E Policy	functional at S57 level - roll out to middle managers in 2010.	15%		25%		35%		50%	0% <input type="checkbox"/> PMS was not rolled out to middle management	MM/HODs		Performance Management System was not populated as there is no approved guide/framework	The CoGTA has been requested to facilitate the policies including PMS. This work will take place in the first quarter 2012/2013		

Good governance and effective administration, Improved human resource of local government by 2011	M&E Policy to be developed and put in place.	70%	Policy developed and implemented	None	15%	25%	50%	70%	0% <input type="checkbox"/> M&E Policy was not developed	MM		Reason not given	Remedial action not provided
	HR Development: Implementation of WSP with 70% expenditure of the training/skills budget reported	70%	Quarterly Reports: Training Implementation Reports.	70%	20%	40%	60%	70%	91% <input type="checkbox"/> Training budget spent on training	MM/CSM		0%	0%
	EE: % compliance with the Employment Equity Plan in the 2 highest levels of Management	90%	Quarterly Reports	90% compliant in 2 highest categories	25%	50%	75%	90%	100% <input type="checkbox"/> The EE Plan was developed and EE Policy was developed	MM/CSM		N/A	N/A
	Ensures Compliance with EE reporting in legislated format to EE	100%	EE Reports submitted timely in legislated format	EE Reporting underway!	25%	50%	75%	100%	100% <input type="checkbox"/> The EE Plan was developed and EE	CSM/MM		N/A	N/A
	LLF Meeting attendance and reporting occurs as per schedule (once per quarter).	100%	Ensures LLF meetings on per quarter & LLF Quarterly reports	Functional LLF	25%	50%	75%	100%	100% <input type="checkbox"/> LLF meetings were held each quarter	MM/CSM		N/A	N/A

KPA4: Financial management and viability										KPA Weight 20%						
ID P No	ID Objective	Indicator of performance	Annual target	measurement source	Baseline	Targets					Indicator Custodian	snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Act	Q2	Act	Q3						Act

13	Ensuesound financial management and governance linked with the coordination of all departments within the institution	%of allocated operating budget spent year to date, excluding staff costs.	100%	Quarterly report	Regular reporting	100%		100%		100%		100%	0%	CFO/MM		Financial information is not presented in a format to enable reporting against KPIs	Accounting system to be reconfigured to meet with performance reporting requirements	
	Ensuesound financial management and governance linked with the coordination of all departments within the institution	%of allocated capital budget spent year to date	100%	Quarterly report	100%	100%		100%		100%		100%	0%	CFO/MM		Financial information is not presented in a format to enable reporting against KPIs	Accounting system to be reconfigured to meet with performance reporting requirements	
	Ensuesound financial management and governance linked with the coordination of all departments within the institution	The percentage of households earning less than R1600 per month with access to free basic services	100%	Report to Council	Effective Indigent Management. Access to BSD.	100%		100%		100%		100%	100%	CFO/MM		N/A	N/A	

Ensuesound financial management and governance linked with coordination of all departments within the institution	Ensure that the budget is developed in a compliant and consistent manner	100%	Council approved Budget Public participation, Council resolution, budget, minutes, public participation, outreach	Full compliance							100% <input type="checkbox"/> The budget was developed	CFO/MM	<input type="checkbox"/>	N/A	N/A				
	Implementation of the SCMP Policy	100%	Compliance reports submitted to Council (quarterly).	SCMP Policy in place	100%	100%	100%	100%	100%	100% <input type="checkbox"/> Implementation of the SCMP policy	CFO/MM	<input type="checkbox"/>	N/A	N/A					
Ensuesound financial management and governance linked with coordination of all departments within the institution	GRAP/GAMA P compliance & implementation of the asset management policy	100%	Compliance reports submitted to Council (quarterly).	Unknown	25%	50%	75%	100%	100%		CFO/MM	<input type="checkbox"/>	N/A	N/A					
Ensuesound financial management and governance linked with coordination of all departments within the institution	Manage the submission of AFS.	100%	Timeous submission of AFS	Timeous submission	50%	100%				100% <input type="checkbox"/> 2010/2011 AFS were submitted on the 31st August 2011	CFO/MM	<input type="checkbox"/>	N/A	N/A					

	Ensuesound financial management and good governance linked with coordination of all departments within the institution	Compliance with MFMA No. 56 of 2003	100%	Compliance with statutory requirements	Progress of full compliance	25%	50%	75%	100%	100%	CFO/MM	<input type="checkbox"/> 	N/A	N/A				
		Ensure that revenue is managed according to sound financial principles	100%	Strategically managed operations and fiscal control	Debt Collection & Credit Control Policy implemented.	25%	50%	75%	100%	100%	CFO/MM	<input type="checkbox"/> 	N/A	N/A				
		Ensure that the M&E of Budget and Treasury is applied through formal reporting	100%	Quarterly report/Budget reports/SDBIP/Report on Expenditure	M&E through formal reporting and financial reporting	25%	50%	75%	100%	100% <input type="checkbox"/> Monitoring and Evaluation of budget and treasury was done through quarterly reporting	CFO/MM	<input type="checkbox"/> 	N/A	N/A				
KPA5: Good governance and Public Participation					KPA Weight 20%													
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets							Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment	
						Q1	Act	Q2	Act	Q3	Act	Q4						Act.
13		IDP reviewed annually and adoption of Process Plan	100%	Council approval	Approved on an annual basis	20%		40%		80%		100%	100% <input type="checkbox"/> The IDP was reviewed and the process plan was adopted	SM/IDP Officer/MM		N/A	N/A	

Accountable and transparent program mes that lead to good governance and public participation, strengthening of Good Governance, Community Participation and Ward Committee Systems in local government	Ensures finalisation of Annual Report by having S57 submissions by 30 November	100%	Departmental submissions received timely. Annual Report approved by Council.	Submissions not thorough. Not submitted timeously.	25%		90%		100%		100%	100% <input type="checkbox"/> All S57 managers have signed performance agreements	SM/IDP Officer/MM	<input type="checkbox"/>	N/A	N/A	
	Oversight Committee established, Oversight ToR, Oversight meetings (deliberation AG finding) Oversight reports compiled.	100%	Oversight Report/ Council Approval	Oversight reporting Committee established					100%		100%	100% <input type="checkbox"/> Oversight committee was established and the committee is functional	SM/IDP Officer/MM	<input type="checkbox"/>	N/A	N/A	
	Delegation Framework established/used	100%	Delegation Framework implementation/ workshoped	Developed/Implemented/workshopped	25%		50%		75%		100%	100% <input type="checkbox"/> Delegation framework adopted and workshoped	MM	<input type="checkbox"/>	N/A	N/A	
Community participation plan and strategy developed and allocation of budget to public participation	Community participation plan and strategy developed and allocation of budget to public participation	90%	Development of Community Participation Plan and Strategy and implementation of strategy Report on implementation Quarterly report	Developed - requires implementation	25%		30%		60%		90%	0% <input type="checkbox"/> The community participation plan was not established	MM	<input type="checkbox"/>	The community participation is addressed through IDP road shows	N/A	
	Communication Strategy approved. Implementation Strategy approved.	100%	Council approval/ Implementation of Communication Strategy. Report on implementation /quarterly report.	Not functional /developed	20%		50%		75%		100%	0%	MM	<input type="checkbox"/>	The Municipality did not have a dedicated person for this function but has since	Addressed	
	Improved ward participation 75% expenditure of funds set aside for ward committee development	75%	Ward Committee meetings	Partially operating ward committee	10%		20%		50%		75%	0%	MM	<input type="checkbox"/>	The Municipality has full participating ward	N/A	

KPA5: Good governance and Public participation (cont.)										KPA Weight 20%					
ID	DPO Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets				Act.	Indicator or Custodian	Snapshot assessment (a)	Reason for variance	Remedial Action	General Comment
						Q1	Q2	Q3	Q4						
3	Local Government to obtain clean audit reports by 2011	Strategy/Action Plan developed to support Sakhisizwe-Audit Plan	100%	Report on implementation/Resonseto audit outcomes/audit investigations/council approval/quarterly report	In progress	20%	50%	70%	100%	100%	MM	<input type="checkbox"/>	N/A	N/A	
		Compliance with MFMA/Development of Risk Management profile and system and % of implementation of risk assessment	100%	Report on implementation/Resonseto audit outcomes/audit investigations/council approval/	In progress	20%	50%	70%	100%	100%	MM/IAC/IA	<input type="checkbox"/>	N/A	N/A	
		Audit response to Auditor General's Report	100%	AG response	AG response annually	50%	100%	100%	100%	100%	MM	<input type="checkbox"/>	N/A	N/A	
		PMS Audit committee to be established to meet % of scheduled meetings of the performance audit committee sitting	100%	Minutes of Audit Committee/Schedule of Meetings	Audit Committee established/functional challenges.	25%	40%	70%	100%	100%	MM	<input type="checkbox"/>	Budgetary constraints	N/A	
13	Strengthening Good Governance and effective administration	Attendance at all Council Meetings	100%	Attendance Register of meetings attended/Meeting minutes	Schedule of meetings available annually	25%	50%	75%	100%	100%	CS/IM	<input type="checkbox"/>	N/A	N/A	

CMC1: Financial Management					KPA Weight	4%										
	ID/ Objective	Indicator of performance	Annual target	Measurement source	Baseline	Targets						Indicator custodian	Snapshot assessment (annual)	Reason for Variance	Remedial Action	General Comment
						Q1	Act. Q2	Act. Q3	Act. Q4	Act.						
13	Strategically manage the compilation and management of budgets, cash flow control, the institution of risk management and supply chain processes in accordance with generally accepted financial practices in order to ensure the achievement of strategic municipal objectives.	Align expenditure to cash flow projection to enable effective budgeting and ensure that no over or under-expenditure occurs.	100%	Monthly expenditure reports.	Expenditure reporting occurs.	25%	50%	75%	100%	Not evaluated on SDBIP 2011 2012	MM	☐ ?	N/A	N/A		

		Manages risks identified by the Auditor General's assessment of the Annual Report and meets 70% of remedial issues identified in the Audit Action Plan.	70%	Quarterly feedback/progress report.	Many risks identified/re-controls.	20%		35%		50%		75%	Not evaluated on SDBIP 2011-2012	MM	□ ?	N/a	N/a	
CMC2: People Management and Empowerment					KPA Weight			4%										
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets						Indicator custodian	Snapshot assessment (annual)	Reason for variance	Remedial Action	General Comment		
						Q1	Act.	Q2	Act.	Q3	Act.						Q4	Act.
13	To protect the municipality from litigation.	Ensure training of all staff in line with management position regarding the management and resolution of litigation.	100%	Training Records, Attendance Records.	Training provision limited.	25%		50%		75%		100%	Not evaluated on SDBIP 2011-2012	MM	□	N/A	N/A	
13	To improve the application of performance management.	PM training approved for all relevant staff in order to facilitate the rollout of Performance Management to staff at lower levels.	100%	Training Records and attendance Register	Applicable to 57 managers--limited training.	25%		50%		75%		100%	Not evaluated on SDBIP 2011-2012	MM	?	N/A	N/A	

CMC3: Client orientation and Customer Focus					KPA Weight	4%													
IDP No.	IDP Objective	Indicator of performance	Annual target	Measurements source	Baseline	Targets							Indicator custodian	Snapshot assessment (annual target)	Reason for variance	Remedial Action	General Comment		
						Q1	Act.	Q2	Act.	Q3	Act.	Q4						Act.	
13	Public participation initiatives as part of the IDP process.	Ensure the development and approval of a Public Participation Strategy	100%	Public Participation Strategy and Implementation Plan	Inadequate Public participation	50%		100%						Not evaluated on SDBIP 2011-2012	MM	□ ?	N/A	N/A	
13	To improve HR Skills for best practice	Provision of Customer Care workshop to all staff as per project plan.	30%	Training Records / register	Minimal customer care training.	10%		20%		30%		30%		Not evaluated on SDBIP 2011-2012	MM	□ ?	N/A	N/A	

Chapter 4

Organizational Development Performance (Performance Report Part 2)

4.1 Component A: Introduction to the Municipal Workforce

4.1.1 Staff Complement (in line with the Organogram)

In line with the organogram, elucidated in Chapter 2, analysis and comparison between the currently approved organogram and current staff complement would indicate that:

- A total of 176 staff positions for the organization were approved for 2011/2012. The total number of approved but vacant positions is 39 at 30 June 2011.
- During 2011/2012, the following 57 managers were in possession of employment contracts and performance agreements:
 - Municipal Manager
 - Corporate Services Manager
 - Chief Financial Officer
 - Technical Services Manager
 - IPED Manager
 - Community Services Manager

The position of Community Services Manager has been incorporated into the functions of a Community / IPED Manager and the appointment of the Community Services Manager facilitates effective functioning within this position.

NOT All 57 managers (x 5) performance agreements and employment contracts were submitted to the Department of Housing and Local Government and Traditional Affairs within the prescribed timeframes except one of the Community Services Manager as he started in February 2012.

4.1.2 Staff vacancies and appointments

Approved Positions (filled during 2010/2011 financial year)	Number of approved and budgeted posts per position	Filled Posts during 2011/2012 financial year	Vacant Posts
1 Communication Officer	1	1	0
2 LED Officer	1	1	0
3 Receptionist	1	1	0
4 30 General Workers	30	30	0
5 1XBudget & Treasury Officer	1	1	0
6 1X Credit Control Officer	1	1	0
7 1x HIV/AIDS Co-ordinator	1	1	0
8 1x Town Planner Officer	1	1	0
9 1x Community Services Manager(s57)	1	1	0
TOTAL	38	38	

The table below details the approved, filled, and vacant funded posts within Sakhisizwe Municipality:

Total Positions on the organizational structure 2010/2011 financial year)	Approved Positions funded positions filled during 2010/2011 financial year)	Number of Employment Contracts and Performance Agreements	Filled Posts	Total Number of Vacant funded posts in the Entire Organization	Total number of unfunded vacant post
230	197 (to be confirmed – not absolute)	5(s57) Managers	161 (128 permanent + 33 Temps)	36	33
20 Councillors					

During 2011 /2012 financial year three (3) employees passed away, one (1) resigned and one (1) employee retired.

Staff Complement

The table below indicates the positions as reflected by 01 July 2011 to 30 June 2012:

DEPARTMENT	NAME	COMMENTS
Administration	Booi N	
Administration	Ditala BN	
Administration	Dywili C	
Administration	Fini SP	
Administration	Kaluku EN	
Administration	Lengisi P	
Administration	Lose PB	
Administration	Mbaleki PP	
Administration	Mdyosi B	
Administration	Nadyokwe T	
Administration	Nobangela N	
Administration	Noxwe KLK	
Administration	Pita G	
Administration	Tumana N	
Administration	Veldtman NN	
Administration	Xhali DB	
DEPARTMENT	NAME	COMMENTS
Administration	Makangala MN (Retired)	
Community Services	Skade M	
Community Services	Bobotyana FN	
Community Services	Booi N (Cleaner Library)	
Community Services	Cekiso N	
Community Services	Daniso FP	
Community Services	Diniso WC	
Community Services	Dlongwe N	
Community Services	Gcoko Z	
Community Services	Gcora B	
Community Services	Gomana S	
Community Services	Jama Z	
Community Services	Kala N	
Community Services	Kasana N	
Community Services	Khandanisa A	
Community Services	Kundayi Sellinah	
Community Services	Luwaca M	
Community Services	Mabengu X	
Community Services	Madolo FN	
Community Services	Magwaza F	
Community Services	Magqidana PA	
Community Services	Mahlombe L	

Community Services	Makhendlana M	
Community Services	Malgas GL	
Community Services	Mbhalo DS	
Community Services	Mbinda V	
Community Services	Mfinyezi K	
Community Services	Mfuleni N	
Community Services	Mini N	
Community Services	Mkobo M	
Community Services	Mkhunyana M	
Community Services	Mnyaka D	
Community Services	Mqitsana V	
Community Services	Mteto M	
Community Services	Mtshazi A	
Community Services	Mose S	
Community Services	Ncisana P	
Community Services	Ndunge N	
Community Services	Ndzondela N	
Community Services	Ngqayimbana G	
Community Services	Nobangela F	
Community Services	Nobangela H	
Community Services	Nobangela K	
Community Services	Nobangela N(Cleaner Library)	
DEPARTMENT	NAME	COMMENTS
Community Services	Nobangela P	
Community Services	Nobangela P	
Community Services	Nobangela R	
Community Services	Notoyi BJ	
Community Services	Nqoko M	
Community Services	Ntabeni TM (Librarian)	
Community Services	Paraffini A	
Community Services	Paraffini N	
Community Services	Pasiya TM	
Community Services	Puza M	
Community Services	September A	
Community Services	Skoti M	
Community Services	Sithetho ZC	
Community Services	Sontshi ST	
Community Services	Thomas B	
Community Services	Thukani NS	
Community Services	Thulani N	
Community Services	Tshisa L	
Community Services	Thsongoyi N (Prison)	
Community Services	Tyeku L	
Community Services	Vuntu N	
Community Services	Winnar SV	

Community Services	Witvoet N	
Community Services	Xaji N	
Community Services	Yabo N	
Community Services	Yamiso LX	
Community Services	Rubuluza SM (Resigned)	
Finance	Ben MM	
Finance	Breakfast B	
Finance	Faku PP	
Finance	Kwahene M	
Finance	Luwaca Z	
Finance	Ndamase M	
Finance	Ndamase MZ	
Finance	Nkula T	
Finance	Gantsho (Tyilana) BC (Resigned)	
Finance	Sijentu M	
Intern	Gongqa F	
Intern	Hintsia L	
Intern	Pilani N	
Intern	Tikana A	
Intern	Tofile Y	
IPED	Diliza N	
DEPARTMENT	NAME	COMMENTS
IPED	Diliza Z (Temporal Worker)	
IPED	Kulela X	
IPED	Nkqoyi N	
IPED	Ntlonze NE	
Management	Samuel T	
Management	Mazwayi NC	
Management	Mntonintshi X	
Management	Nobongoza TP	
Management	Saleni N	
Management	Steyn PH	
Mayor's office	Maliti N	
Mayor`s Office	Kutuka NM	
Mayor`s Office	Mtontsi NF	
MM`s Office	Conjwa KX	
MM's Office	Ngqwala S	
Technical	Arends DD	
Technical	Balekile VW	

Technical	Beya NH	
Technical	Booi DS	
Technical	Burwana SE	
Technical	Bushula LS	
Technical	Cekiso N	
Technical	Diba W	
Technical	Diniso W	
Technical	Dlikilili T	
Technical	Fanaphi V	
Technical	Gcoko Z	
Technical	Gcora B	
Technical	Goba Z	
Technical	Jack MW	
Technical	Jack F	
Technical	Jakada M	
Technical	Joja N	
Technical	Jojo A	
Technical	Korobela V	
Technical	Kudayi S	
Technical	Labuschagne F	
Technical	Lolo N	
Technical	Lucas D	
Technical	Lucas P	
Technical	Mabedumane Z	
DEPARTMENT	NAME	COMMENTS
Technical	Macuza S	
Technical	Madikwane M	
Technical	Magazi M	
Technical	Magwaza W	
Technical	Makendlana M	
Technical	Mandlakazi S	
Technical	Marenene K	
Technical	Mazingisa MW	
Technical	Mbebe SM	
Technical	Mbeshu ZB	
Technical	Mhali T	
Technical	Mnamekwana T	
Technical	Mponzo S	
Technical	Mtshazi A	
Technical	Mvenge BA	
Technical	Ndleleni PM	
Technical	Ndzondela DM	
Technical	Ndlela S	
Technical	Njobe SM	
Technical	Nkabi N	
Technical	Nobangela FK	

Technical	Nobangela S	
Technical	Ntozini S	
Technical	Ntsizakalo T	
Technical	Ntuta TJ	
Technical	Ngqayimban VG	
Technical	Nqoko M	
Technical	Olayi SM	
Technical	Oranje JJ	
Technical	Paraffini L	
Technical	Qitsane X	
Technical	Tyutu BP	
Technical	Yamiso LX	
Technical	Nkanunu Bejile (Retired)	
Technical	Makeleni Buyisa	
Technical	Labuschagne PJJ (Temporal worker)	
Technical	Mgolombane M (Deceased)	
Technical	Dlephu M (Contract terminated)	
Technical	Velddman MM (Deceased)	
Traffic	Makhundayi SG	
Traffic	Mbambo MK	
DEPARTMENT	NAME	COMMENTS
Traffic	Mpalala MN	
Traffic	Mponzo G	
Traffic	Nyembe L	
Traffic	Pontshl V	
Traffic	Ponoshe N	
Traffic	Winnar C	Deceased
Traffic	Gwadiso Z (Temporal worker)	
Traffic	Luwaca ZW (Temporal worker)	
Traffic	Yehana T (Temporal Worker)	

The table below details the approved temporary positions filled within Sakhisizwe Municipality:

Approved Positions filled during financial year)	Temporary funded positions 2010/2011	Filled Posts	Position
30		30	General Assistants
1		1	Budget & Treasury Officer
1		1	Credit Control Officer
1		1	Electrician (Re-engaged pensioner)

During 2011 /2012 financial year, two (2) employees resigned and two retired.

4.1.3 Key HR statistics per functional area

Full time staff complement per functional area (examples given below)

NUMBER OF STAFF	GENDER	POSITION
1	African Male	Mayor
1	African Male	Chief Whip
1	African Female	Speaker
4	African Female	Councillors
9	African Male	Councillors
1	White Male	Councillor
Total 17 (new Council was elected and appointed as from May 2011)		
NUMBER OF STAFF	GENDER	POSITION
1	African Male	Top Management
Total 1		
3	African Male	Senior Management
1	White Male	
1	African Female	
Total 5		
9	African Male	Professionally qualified
3	African Females	
1	White Male	
Total 13		

13 15 1 Total 29	African Male African Female Coloured Male	Skilled technical
22 1 Total 23	African Male Coloured Male	Semi – skilled
53 33 2 Total 88	African Male African Female Coloured Male	Unskilled
4 1 Total 5	African Female African Male	Interns
Grand Total (inclusive of councillors and Interns)	181	

4.1.4 Technical Staff Registered with Professional Bodies

Technical Service (e.g. Water, Electricity etc.)	Total Number of technical service managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
NONE	1	NONE	NONE	2

4.1.5 Levels of education and skills

Total number of staff (Excluding councillors)	13	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/ accredited professionals training
159 Permanent 5 Interns		109	27	28

4.1.6 Employment Equity

Occupational Categories	African Male	Colored Male	Indian Male	White Male	African Female	Colored Female	Indian Female	White Female	Foreign Nationals	TOTAL
Top management	1	0	0	0	0	0	0	0	0	1
Senior management	3	0	0	1	1	0	0	0	0	5
Professionally qualified and experienced specialists and mid-management	9	0	0	1	3	0	0	0	0	13
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	13	1	0	0	15	0	0	0	0	29
Semi-skilled and discretionary decision making	22	1	0	0	0	0	0	0	0	23
Unskilled and defined decision making	53	2	0	0	33	0	0	0	0	88
TOTAL PERMANENT	101	4	0	2	52	0	0	0	0	159
Temporary employees	1	0	0	0	4	0	0	0	0	5
GRAND TOTAL	102	4	0	2	56	0	0	0	0	164

4.1.7 Annual performance as per key performance indicators in municipal transformation and organisational development

Indicator Name	Total Number of people (planned for) during the year under review	Achievement level during the year under review	Achievement Percentage during the year	Comments on the gap
Vacancy rate for all approved and budgeted posts	38	38	100%	Efforts are to be made to fill vacant funded posts. Notwithstanding Retention challenges and scarcity of skills adversely affect this target.
(Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	6	100%	N/A
Percentage of Section 57 Managers including Municipal Managers who attended at least one skill development training course within the Financial Year	6	6	100%	
Percentage of Managers in Technical Services with a professional	2	2	100%	PMU Manager Technical Services Manager not yet registered in the

qualification				accredited professional body
Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	100%	100%	100%	The entire staff participated in the Skills Audit that was done by Skills Development Facilitator during the performance period.
Percentage of councillors who attended a skill development training within the current 5 year term	17	17	100%	17 out of 17 councillors
Percentage of female employees	57	57	32%	

4.1.8 Major challenges and remedial action regarding human resource and organisational management

MAJOR CHALLENGES	REMEDIAL ACTIONS
1. Within the Finance and IT sections a shortage of critical or scarce skills exists.	<ul style="list-style-type: none"> - Ensuring that a succession strategy is implemented for these particular positions. - Ensuring implementation of an internship policy aimed at sourcing and developing these skills
2. Staff turnover is prevalent among designated employee groups.	<ul style="list-style-type: none"> - Retaining and develop staff / people from designated groups. - Implement appropriate training measures. - Facilitate the development and implementation of the Retention Strategy.
3. Performance management currently focuses only on Section 57 Managers and fails to reward outstanding performers and punish non-performers	<ul style="list-style-type: none"> - Develop the PMS Framework and PMS Policy for 2012/2013 - Facilitate the implementation of Policy with performance outcomes

	<ul style="list-style-type: none"> - Enhance organizational performance by managing individual performance through the implementation of the Performance Management System throughout the organization (cascaded to lower levels over time).
4. Staff shortage at HR Department that leads to inability deliver timeously	<ul style="list-style-type: none"> - Filling of proposed critical positions that are reflected on the organogram such as: Labour Relations Officer, Personnel Clerk and SHE Practitioner.
5. Out-dated Municipal by- laws	<ul style="list-style-type: none"> - The Municipal by-laws are currently out-dated and the service provider has been already appointed to develop new by-laws for the municipality, workshops have been conducted and will be adopted in 2012/2013 - To ensure that these by- laws are Gazetted.
6. No retention strategy in place	<ul style="list-style-type: none"> - The Retention Strategy has been developed and adopted in year 2012/2013 in order to attract and retain required staff (critical and skills scarcity).
7. Women at Management level insufficiently represented.	<ul style="list-style-type: none"> - Ensure % representation of women at management level in terms of EE Plan.

4.1.9 Implementation of Performance Management

It must be noted that a discrepancy exists between the Performance Management Framework and System as depicted within the IDP and that which is currently approved and applied within Sakhisizwe Municipality. This discussion will reflect the approved and applied policy and not that which is reflected in the reviewed IDP.

In terms of the Local Government Municipal Systems Act, Act No. 32 of 2000 municipalities were required to utilize and adopt Performance Management policies that were commensurate with their resources and best suited to their circumstances.

In accordance with this, Sakhisizwe Municipality adopted a performance management framework that would be utilized to develop a Performance Management Policy. Application of this policy and the population of the performance targets was also required

to ensure alignment to the organizations Integrated Development Plan (Strategic Goals and Objectives) and it's annual budget for the year in question.

In developing the Performance Management System Framework, Sakhisizwe Municipality took into account the prescriptions of the following pieces of legislation:

- Local Government Municipal Systems Act, Act no. 32 of 2000;
- Municipal Planning and Performance Regulations (2001) and (2006); and
- Municipal Finance Management Act, Act no. 56 of 2003.

The Performance Management Framework is applicable to a Performance Management Cycle that extends from 1 July to 30 June annually. In applying the framework to this cycle, the following principles apply:

- The 5-year IDP provides the strategic direction for the municipality.
- The IDP is reviewed annually and annual IDP targets are set.
- These annual objectives/targets are translated into departmental objectives (departmental scorecards).
- These in turn are translated into the Service Delivery and Budget Implementation Plans for each department. As operational plans, these SDBIPs are required to be aligned to the budget and to depict annual performance targets that are broken down into quarterly targets.

NOTE:

- *The Finance Department is not solely responsible for the preparation, monitoring and reporting on the SDBIP. Each line department is required to take ownership of the performance in their area of functional responsibility and the municipal manager must manage the overall performance reporting processes. If departments plan and set targets well in advance and as accurately as possible, the Finance Department can prepare credible cash flow budgets and plan their supply chain management processes against agreed delivery targets and standards.*
- *In order to facilitate the achievement of the SDBIP targets, these targets are further translated into individual employee performance targets (as depicted within individual scorecards). All targets effectively cascade from the top to the bottom (throughout the organization), becoming more operational at each lower level.*

Currently the individual performance management system has only been applied to s57 Managers. Further refinement and work on the framework and policy itself is required in order to enable this system to be applied to lower level.

The above notwithstanding, it must be understood that performance management is required to occur on two levels in order for it to be successfully applied. With this

integrated approach, performance is measured and facilitated at both the individual and the institutional levels. Each of these levels will be examined in terms of the following four phases as follows:

Quarter	Period	Month of Reporting	Type of Monitoring
1	July – September	October	Coaching and Review
2	October – December	January	Assessment
3	January – March	April	Coaching and Review
4	April – June	July	Final Assessment

Prior to the beginning of the performance cycle it is required that both employer and employee mutually agree on acceptable performance targets that will be captured in the employee’s performance scorecard. It is imperative to ensure that there is alignment between the individual scorecard, the departmental scorecard, the SDBIP, the budget, and the IDP (which provides the required strategic direction).

4.1.10 Activities during each quarter

First Quarter (Mentoring and Coaching):

Essential planning and the development of the performance scorecard for the new financial year is completed after discussions between the manager and subordinate. A Personal Development Plan is then developed after additional discussions. When an understanding is reached of the required performance targets, and the required skills and levels of capacity to meet these, as compared to the subordinate’s actual targets, then the PDP is populated. Performance gaps are identified and a plan is developed and committed to in order to ensure that the areas of deficiency are adequately addressed. Consideration of the manner in which to close the gaps is discussed and finally factored into a PDP (Personal Development Plan) which in turn informs the Workplace Skills Plan (detailing required developmental objectives). Mentoring and coaching also occur in order to ensure that every effort is made to support and facilitate required performance and the meeting of required targets.

Second Quarter (First Review):

During the first review performance is formally assessed and rated according to the rating calculator/scale. Discussions and ratings take place between the manager and subordinate and every effort is made to reach agreement based on evidence to support claims of performance (i.e. Portfolio of Evidence). Where improvement is required appropriate action is taken and monitored in terms of actual performance.

Third Quarter (Mentoring and Coaching):

The third quarter is characterized predominantly by coaching and mentoring. Within formal discussions, performance shortfalls are identified and appropriate action plans are developed in order to facilitate achievement of the required targets. Where standards met, and where performance exceeds required standards there is acknowledgement in terms of accepted management principles.

Fourth Quarter (Final Review):

During the final review, performance is formally assessed and rated by an assessment panel according to the rating calculator/scale. Based on the consolidated score of all panellists, it is determined whether any performance bonus will become due.

4.2 Component B: Management of Municipal Workforce

4.2.1 Constitution of the Evaluation Panel for Final Reviews (MM and s57 managers')

The evaluation panel for s57's and managers reporting to these s57 managers as per the Performance Management Regulations is reflected as follow:

EVALUATION PANEL OF THE MUNICIPAL MANAGER	EVALUATION PANEL OF MANAGERS ACCOUNTABLE TO THE MUNICIPAL MANAGER
Mayor (Sakhisizwe Municipality)	Municipal Manager (Sakhisizwe Municipality)
Chairperson of the audit committee or member of the Audit Committee	Chairperson of the audit committee or member of the Audit Committee
Executive Committee member	Executive Committee member (portfolio head of the respective Department - nominated by Mayor)
Executive Committee member	Executive Committee member
Mayor from another municipality	MM from another municipality
Ward committee member nominated by Mayor	PMS Facilitator
PMS Facilitator	

4.2.2 Rating and assessing individual employee performance

These Performance Evaluation Panels review each manager's performance and rate this according to the rating calculator reflected on the next page. Each member of the assessment panel scores each indicator individually and a PMS Coordinator collates all the

scores and presents a consolidated report which will produce a final rating that is required to be ratified by Council before being accepted.

Based on the final score (out of 200 points), a bonus award may be applicable based on a sliding scale of 5-14% as provided by the Regulations or up to 20% in the case of “special cases”. Any bonus award (if applicable) is required to be approved by Council and can only be awarded after the Annual Report is approved by Council and has in this manner been verified and approved by the Auditor General’s office.

NOTE: This is recommended according to Circular 32 of the MFMA.

It is a misconception, that if an organization receives a qualified audit report that no bonuses should be paid. It must be noted that the assessment of performance for every s57 Manager will be specifically based on his/her KPA’s (Key Performance Areas) and CMC’s (Core Management Competencies). Based on these results (not the organizations overall result) the performance bonus will either be found to be applicable or not. All performance claims are required to be validated and as such each manager is required to present a detailed Portfolio of Evidence containing all supporting documentation/material that validates all actual claims of performance. In the absence of evidence the lowest score is awarded and it must be noted that all scores made by the panel will ultimately be required to be validated by an Audit Committee that seats specifically for this purpose.

In order to rate performance achieved, the following **rating calculator** is used:

Level	Terminology	Description
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above the fully effective results against all performance criteria and indicators as specified in the PA and Performance Plan and maintained this in all areas of responsibility throughout the year.
	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as

Level	Terminology	Description
		specified in the PA and Performance Plan.
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.

Using the rating calculator and based only on the 4th quarter final rating, performance bonuses will be allocated to qualifying 557 Managers. The bonuses that may be awarded (as detailed below) **are not applicable** to those managers that are considered to be “Special Cases” in terms of the Municipal Performance Regulations. Bonuses are paid out as a percentage of the all – inclusive remuneration package as follows:

Performance Score	Performance Bonus
150% +	10% – 14%
130% to 149%	5% – 9%

Accordingly:

- A score of 130-133.99 receives a bonus of 5%
- A score of 134-137.99 for example would receive a bonus of 6% as per the sliding scale above and detailed in the table below; and
- Any score of 166 and above receives a fully bonus of 14% of the all-inclusive remuneration package.

TABLE: Sliding Bonus Scale

Performance Score	% Bonus
130	5
134	6
138	7
142	8
146	9
150	10
154	11
158	12
162	13
166+	14

Special Cases

S57's managers that entered into contracts prior to implementation of the Performance Management Regulations are treated as "special cases" in terms of section 39(2) of the Performance Regulations. Currently, the Municipal Manager is the only s57 manager to qualify for this category. In this regard Mr Samuels may qualify to receive a bonus up to a maximum of 16% of his total remuneration package. This is applicable both in terms of the regulations and his performance contract.

In determining the performance bonus, it must be noted that the relevant percentages will be required to be based on the overall rating calculated by using the applicable assessment rating calculator (as already detailed above). Accordingly for special cases the following bonus structure applies:

TABLE: Bonuses for Special Cases

RATING	ASSESSMENT SCORE	PERFORMANCE REWARD
5	81 – 100	Total Package x 16% (full bonus)

4	66 – 80	Total Package x 16% x percentage (%) obtained in formal evaluation
3	51 – 65	Total Package x 16% x percentage (%) obtained in formal evaluation
2	36 – 50	Total Package x 16% x percentage (%) obtained in formal evaluation
1	Less than 35	No Reward

4.2.3 Management of Poor Performance

Poor or unacceptable performance is managed according to standard practice and in terms of the organizations Grievance and Disciplinary Code. In the event that these attempts prove to be unsuccessful, the employer should take steps to terminate the contract on grounds of misconduct or incapacity. In that case, there should be adherence to the provisions of the Labour Relations Act (Schedule 8, Code of Good Practice).

4.2.4 Final Reporting: Employee Performance

Within 14 days of concluding the assessment of the MM's performance, the results thereof is submitted to the MEC for Eastern Cape Local Government and the national Minister for Local Government. **NOTE: No formal assessment is conducted until the Annual Report is approved and the data contained it is audited --- thereby verifying statistics and performance claims on which the assessments will be based.**

4.2.5 Annual Performance Reporting and Review (Institutional Performance)

Annually it is required that a comprehensive report on the performance of the Municipality is compiled as per the prescriptions of Chapter 12 of the Municipal Finance Management Act, Act no. 56 of 2003. In terms of these prescriptions the following table details all the Performance Reporting and responsibilities required at the institutional level:

REPORT	FREQUENCY	SUBMITTED FOR CONSIDERATION AND/OR REVIEW	REMARKS
1. SDBIPs	Quarterly	Exco	See MFMA Circular 13 of National Treasury for further information

2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
3. Organizational Scorecard	Quarterly	Exco	This PMS framework (see section 8.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
5. Performance Report	Annually	Council	See Section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual Report	Annually	Council	See Chapter 12 of the MFMA

The review in January coincides with the mid-year performance assessment as per s72 of the Municipal Finance Management Act, Act no. 56 of 2003. This section requires that the Accounting Officer must by 25 January of each year, assess the performance of the municipality and report to Council on the service delivery performance during the first half of each financial year and the service delivery targets and indicators as set out in the SDBIP.

Note: While the PMS Framework has been drafted, the PMS system is not effectively applied. While scorecards and performance agreements are drafted annually for all s57 managers,

Auditing

The MFMA requires that an internal audit function be utilized in order to audit and verify the accuracy and correctness of the performance management function and reporting requirements.

The internal audit system is a shared function with from from Lukhanji Municipality. This shared audit function operates between Sakhisizwe Municipality, Emalahleni Municipality and Lukhanji Municipality. An Internal Auditor has been appointed and an Audit Committee has been established but the committee partially functioned in the year under review. Challenges occurred during the second half of the year when 2 of the 3 members resigned and no quorum was met to for meetings. Vacancies for the vacated positions are still to be filled.

The municipality’s internal auditors submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

The Audit Committee was established in terms of the MFMA and the Municipal Planning and Performance Management Regulations and is comprised of a minimum of 3 members, the majority of which are not employees of Council. Additionally the Chairperson may not be an employee of Sakhisizwe Municipality.

The Audit Committee is required to:

- Review the quarterly reports submitted to the internal audit;
- Review the PMS System of the municipality with recommendations to Council; and
- Submit the Audit Report to the Municipal Council at least twice during the financial year.

The table below highlights the key roles and responsibilities of all role-players in respect of Performance Management.

STAKEHOLDER	ROLE
Council (Plenary System)	<ul style="list-style-type: none"> ✚ Adopt the PMS Framework & PMS ✚ Adopt the Municipal Scorecard ✚ Conduct Annual Review ✚ Commission Performance Audits ✚ Report to the public and Province
Management Team	<ul style="list-style-type: none"> ✚ Plan for PM ✚ Adopt the PMS Framework & PMS ✚ Draft Scorecards ✚ Approve Departmental Scorecards ✚ Conduct Performance Measurements ✚ Commission Performance Reviews ✚ Produce PM Reports ✚ Commission Performance Audits
Audit Committee	Audit PM Reports & make recommendations
Internal Audit	Audit the results of Performance Measurements
IDP Steering Committee	Participate in PM Planning, Monitoring & Review
IDP Rep. Forum	
Ward Committees	

4.2.6 Application of Performance Management during 2010/2011

During 2009/2010, in an effort to comply with the National Indicators and to aid reporting that is required from most reports (Mid-year reports, s46 reports, Annual Report, SDBIP reporting and the likes), it was required that the existing format of the performance scorecards be reviewed. In doing so, performance scorecards were aligned to the National Indicators and the IDP. This practice has continued and the following Key Performance Areas are included and evaluated in each scorecard:

- Basic Service Delivery
- Good Governance and Public Participation
- Municipal Institutional Development and Transformation
- Municipal Financial Viability and Management
- Local Economic Development

Within each Key Performance Area (KPA), applicable key performance indicators (targets) were developed. It must be noted that the total value attached to the KPA's on each scorecard amounts to 80% of the value of the total Performance Targets. The remaining 20% comes from Core Management Competencies (CMC's) which are required to be made up of 3 compulsory CMC's and two elective CMC's.

Compulsory CMC's are as follows:

- Financial Management
- People Management & Empowerment
- Client Orientation and Customer Focus

Elective CMC's are to be chosen in accordance with the type of work performed in the employment position.

A Portfolio of Evidence is developed which reflects all documentation to support all KPA and CMC indicators. In this manner all claims of performance can be validated and provided as part of any audit query or validation.

4.2.7 Assessment of Performance

As in the previous years, it is noted that the PMS cycle is not being correctly applied throughout the year. It would appear that it is only the final review that is being conducted. Clearly, this is an area that is required to be remedied and every prescribed activity within every quarter is required to be applied as detailed within the policy.

It must be acknowledged that the process of performance assessment has to date not been without challenges. However it is accepted that over time and with focused efforts towards capacitation of staff, performance assessments will become more effective and will result in a process that embodies the culture of performance optimization throughout the organization (councillors and staff alike).

At an individual level, the assessment of performance occurs as an evaluation of actual performance as against the performance target. Each official who was assessed (only 57 managers during the current financial year) were required to develop /compile a Portfolio of Evidence and to present this to a Performance Management Assessment Committee. This portfolio is required to contain measurable and verifiable proof that performance occurred at a particular level. Failure to produce appropriate evidence will result in performance claims being called into question, as they cannot be verified.

Each member of the assessment panel scored each indicator individually and a PMS Coordinator collated all the scores and presented a consolidated report which produced a final rating that required to be ratified by Council before being accepted and applied in terms of policy.

Based on the final score (out of 200 points), a bonus award may be applicable. Reference is made to a sliding scale of 5-14% as provided by the Regulations or in terms of the criteria for Special Cases. This bonus (if applicable) is required to be approved by Council and any bonus can only be awarded after the Annual Report is approved by Council and has in this manner been verified and approved by the Auditor General's office. **(Reference is made to Circular 32 of the MFMA).**

In this regard it is fair to say that great strides have been made and performance management is being applied at the most basic level. It is imperative that every aspect of the system and cycle are applied. At the individual level this is clearly an area for improvement. At the institutional level it must be noted that improvements have been made in respect of more refined and more aligned SDBIPs. This in turn is directly as a result of the manner in which departments/staff detail and formulates their targets (showing alignment to the IDP and National Indicators). Notwithstanding, improvements within both areas are still required.

In this regard and with particular emphasis moving forward, the following issues must be addressed:

- Improved setting of performance targets;
- Ensuring alignment at every level;
- Following all reporting within the performance cycle;
- Ensuring that municipal backlogs and related infrastructure needs not only meet these services but are sustained ongoing, and are measured and reported on

regularly.

It is certain that If compliance is reached within all of these areas, performance functioning and reporting will be greatly facilitated and will ensure that Sakhisizwe Municipality establishes itself as a high performing municipality.

4.3 Component C:Capacitating the Municipal Workforce

4.3.1 Staff development Initiatives during the Financial Year

4.3.1.1 Staff development Initiatives

In keeping with the Skills Development Act, Sakhisizwe Municipality has the responsibility to capacitate its employees in order to improve service delivery. Accordingly, the municipality compiled its Workplace Skills Plan for the 2011/2012 financial year and this was adopted as required by Council after having been signed by all the relevant parties (i.e. Employer and representative of the Employees i.e. SAMWU).

Funding for training and development for 2011/2012 is reflected as follows:

Total Training Budget:	R243, 816.00
Total Actual Training Spent:	R222, 650.52
Total Levy Spent:	R243, 818.52
Mandatory Grant:	R110, 532.00

4.3.1.2 Internship Programme

With funding received from National Treasury four (4) interns were employed in the year under review, and they are currently undergoing in-service training within the Department of Finance.

The internship programme was introduced to alleviate the negative impact that skills shortages has had on recruitment and the subsequent placement of suitably qualified persons. The internship programme is aimed at empowering and capacitating future employable staff.

The internship programme is regarded as a means to balance the immediate shortages of

staff with the long term demand for employees. It is envisaged that both current and future personnel shortages could be reduced as the Municipality intends to absorb some of the already trained candidates, who have been exposed to the organization on a practical level.

Two (2) young professionals had also been employed by DBSA within the Budget and Treasury Department in previous years to assist with IT and other finance related areas. After these contracts had expired (30 June 2011) Sakhisizwe employed these two professionals on contract to continue to work within the Budget and Treasury Department until January 2012 wherein were permanently employed as Credit and Control Officer and Budget and Treasury Officer.

As per this plan, the training and development programmes were planned and implemented during the year and detail in this regard is provided in the table below:

4.3.1.3 Training Provided in the period 2011/2012

Name	Course	Provider	Duration	Implementation Date	Budget	Status
Nomthandazo Mazwayi Ntsikelelo Saleni Mayenzeke Skade Xola Mntonintshi Simemo Ngqwala	Municipal Finance Management Certificate Programme	University of Fort Hare	1 Year-6 months	18 Jan – July 2012	LGSETA FUNDED	In progress
Siyabonga Ndlela, Simemo Ngqwala, Busisiwe Tyilana	Service Level Agreement & Contract Management	BravoPix Management Group	2 Days	29 – 30 November 2011	Sakhisizwe Municipality	Completed
Computer Training For Councillors	Imita Training Computer School	5 Days		23 – 27 January 2012	Sakhisizwe Municipality	Completed
Cllr. N. Mananga Cllr. B. Ponoshe Cllr. S. Suka	Certificate in Local Government Law and Administration	University of Fort Hare	1 Year	30 Jan 2012 – 31 Dec 2012	Sakhisizwe Municipality	In progress

Cllr. S. Bavuma Cllr. Z. Mose Cllr. M. Jentile	on					
For 17 candidates. For Councillors Managers Officials. Names will be confirmed in due course	In – house training for Service Level Agreement & Contract Management	BravoPix Management Group	2 Days	27 March 2012- 28 March 2012	Sakhisizwe Municipality	Completed Obtained A Certificate
Masabata Sijentu, Babalwa Breakfast, Zukiswa Ndamase, Philiswa Faku	Upgrade of Consbill and receipting	SEBATA	2 days	30 May – 31 May 2012	SEBATA	Completed

4.4 Component D: Managing Municipal Workforce Expenditure

4.4.1 Trends on total personnel expenditure

Financial Year	Total number of staff	Total approved operating budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2007-2008	145	31 017 539	16 377 024	52.80
2008-2009	149	56 048 611	16 991 724	30.32
2009-2010	159	80 912 833	22 352 952	27.63
2010-2011	161	81 937 297	22 098 724	26.97
2011-2012				
* 174 including councillors (2010/ 2011)				
*including councillors(2011/2012)				

4.4.2 Senior Officials' wages and benefits

Municipal Manager: Thembeni Samuel	2012	2011
Annual Remuneration	633 863	594 916
Car Allowance	8400	84 000
Performance & Other Bonuses		
Contributions to UIF, Medical and Pension Funds	140 615	136 966
Housing & Telephone allowances	81 708	81 708
Subsistence & Other allowances	37 862	46 859
TOTAL	978 748	944 449

Chief Financial Officer: Pieter Steyn	2012	2011
Annual Remuneration	507 505	507 698

Car Allowance	60 000	60 000
Performance & Other Bonuses		1 983
Contributions to UIF, Medical and Pension Funds	143 885	138 437
Subsistence & Other allowances	47 190	65 689
TOTAL		773 807

Corporate Services Director: Nomthandazo Mazwayi	2012	2011
Annual Remuneration	573 869	561 391
Car Allowance	108 000	108 000
Performance & Other Bonuses		
Contributions to UIF, Medical and Pension Funds	31 935	29 451
Housing & Telephone allowances		-
Subsistence & Other allowances	22 347	17 975
TOTAL	736 151	716 817

IPED Director: Ntsikelelo Saleni	2012	2011
Annual Remuneration	601 531	576 310
Car Allowance	108 000	108 000
Performance & Other Bonuses		
Contributions to UIF, Medical and Pension Funds	14 623	13 550
Housing & Telephone allowances		-
Subsistence & Other allowances	37 2001	40 002
TOTAL	761 365	737 862

Technical Services Director: Xola Mntonintshi	2012	2011
Annual Remuneration	623 935	555 748
Car Allowance	108 000	108 000
Performance & Other Bonuses		
Contributions to UIF, Medical and Pension Funds	9 671	32 332
Housing & Telephone allowances		-
Subsistence & Other allowances	48 231	17 635
TOTAL	789 837	713 715

Community Services Manager: Thanduxolo Nobongoza	2012	2011
Annual Remuneration	283 555	-
Car Allowance	9 277	-
Performance & Other Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	749	-
Subsistence & Other allowances	-	-
TOTAL	293 581	-

Chapter 5

Functional Performance (Part 2)

5.1

Office of the Municipal Manager

5.1.1 Introduction

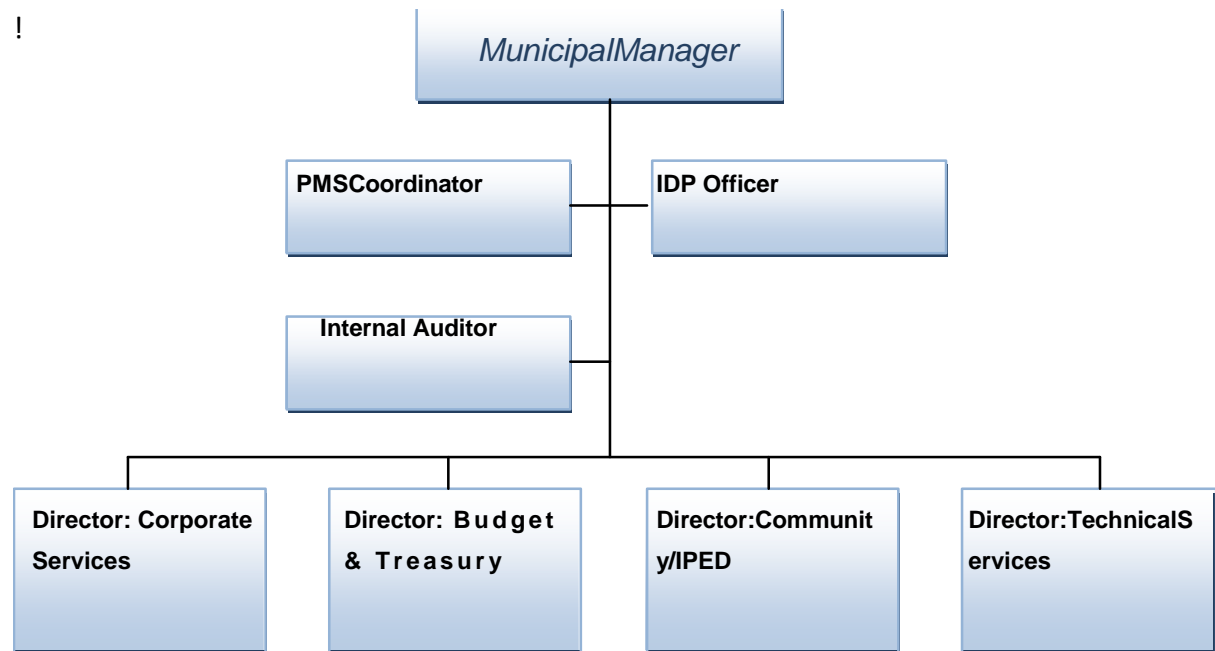
The Municipal Manager heads the administration side of the municipality. The following are statutory powers assigned to the Municipal Manager by the Municipal Structures Act and Municipal Systems Act:

- To form and develop an economical, effective, efficient, accountable and performance driven administration for the municipality in accordance with the provisions of Section 51 of the Systems Act.
- To manage the municipality's administration in accordance with the provisions of the Systems Act and other legislation applicable to the municipality.
- To implement the municipality's IDP, and to monitor the progress with the implementation of the plan.
- To manage the provisions of services to communities, residents and ratepayers in a sustainable manner.
- To control and manage the effective utilisation and training of staff.
- To maintain discipline of staff.
- To promote sound labour relations and compliance by the municipality of applicable labour legislation, conditions of service and collective agreements.
- To advise the structures and functionaries of the municipality.
- To manage the communication between the municipality's administration and its structures and functionaries.

- To carry out the decisions of the structures and functionaries of the municipality.
- To administer and implement the municipality's By-laws and other legislation.
- To implement national and provincial legislation applicable to the municipality.
- To facilitate participation by communities, residents, ratepayers and other stakeholders in the affairs of the municipality

5.1.2

Structure of the Office of the Municipal Manager



Municipal Manager: T. Samuel

5.1.3 Performance Report: Highlight of Successes and Challenges

The office of the Municipal manager is providing a strategic support to all other managers in the municipality so that they meet the over objective of the municipality, which is provision of basic services to communities. Below are some of the successes and challenges encountered in this financial year:

Successes

- Institutional scorecard approved by Council. However because there are no guides on how it should be implemented, it is not yet implemented.
- Waste management plan was developed and greening projects were completed during 2011/2012. The solid waste site plan has been developed; approved by MIG and is in the process of being developed. This will complete a Waste Management Plan
- As it is one of the priorities of the office to see a skilled personnel, it is with pleasure that the office has seen 91% training budget spent on training
- LED strategy is being implemented, and as one of the approaches, IPED/Community Services Department is working hard in luring tourists to the municipality
- KPAs are adhered to by 57 Managers as required by the SDBIP. Where challenges are encountered managers have outlined plans to mitigate challenges

Challenges

These are some of the challenges that confronted the Office of the Municipal Manager:

- The HIV/ AIDS committee (including special programmes) was not functional during 2011/2012 financial year due to resignation of the Chairperson. The municipality is working on the plan of employing a full time person to manage the HIV and AIDS desk of the municipality
- There is still no Roads Master Plan to guide the construction and maintenance of roads. This is one of the key priorities of the Office of the Municipal Manager going forward
- The municipality is still to develop a M&E Policy

5.2 Community Services/IPED Department

5.2.1 Introduction

The Community Services/IPED department is a fusion of Community Services and IPED departments. This was as a consequence of a vacant Community Services Manager position. The current IPED Manager became a manager for this new department.

The above therefore implies that this department has the following responsibilities, *inter alia*:

(a) Community Services' responsibilities include rendering of the following services:

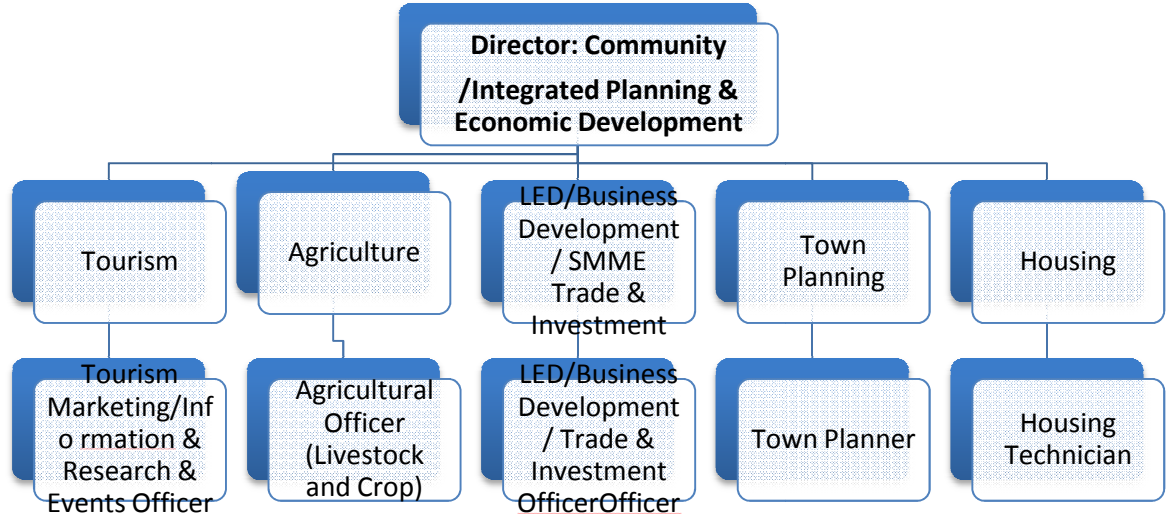
- Environmental Health
- Parks and Cemeteries
- Traffic and Licensing, and
- Library Services

(b) IPED

The main overarching responsibility of IPED is coordination of economic planning activities of the municipality - as a means to promotion of socio-economic development; development and implementation of strategies to attract investment to the municipality; promotion of sustainable use of natural resources, etc.

5.2.2

Structure of Community Services/IPED Department



DIRECTOR: COMMUNITY/ IPED: N SALENI

5.2.3

Performance Report: Successes and Challenges

Successes

During this financial year, the department managed to achieve the following:

- 100% maintenance of cemeteries as previously planned in the SDBIP
- Monthly update to a burial register
- Achieved a target in collecting refuse in the municipality
- Developed and kept a database of library users
- Offered training to staff as per the training needs submitted to the WSP

Challenges

Notwithstanding the successes stated above, the department had the following challenges, which it seeks to correct in the next financial year

- Department could not maintain Sports fields (due to un-availability of Maintenance Plan); including maintenance of halls and parks;
- The department fell short in achieving the target of building RDP houses – instead of building 1500, 800 were built in Elliot, while instead of 5000, 1050 were built in Cala)

5.3.1 Introduction

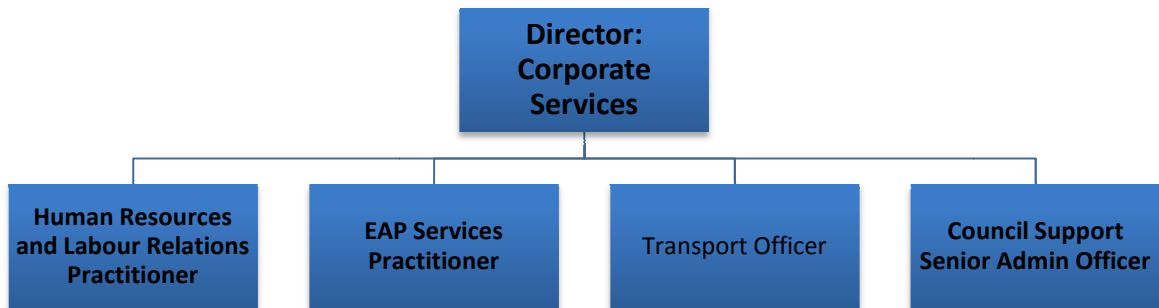
This department renders support service to the core service delivery departments of the Municipality. The support service is rendered through:

- provision and management of human resource, building institutional capacity;
- promotion of sound labour relations and
- rendering administrative support to the municipality

The department is doing the above by performing the following functions, *inter alia*:

- Planning, Policy Development/Review and Monitoring and Evaluation;
- Interfacing with both elected members and officials,
- Ensuring that employees meet their required outputs and outcomes,
- Communicating Council policies and providing leadership and strategic advice as necessary,
- Instituting a robust system of internal controls and delegation that provides employees with a clear understanding of their obligations,
- Contributing to the review of the IDP annually and ensuring that Council policies and priorities as related to Corporate Services are reflected in the IDP and budget,
- Taking a proactive role in ensuring that competent Human Resources are available at the right time and place (HR Planning) and that Institutional Support is provided for throughout the institution.

5.3.2 Structure of Corporate Serviced Department



Director: Corporate Services, MS. N Mazwayi

5.3.3 Performance Report: Highlight of Successes and Challenges

As stated above that the department offers support services to staff (in the main), the following are some of the highlights for this financial year:

Successes:

- The department completed an Equity Report
- The skills audit report is available
- The department used 91% budgeted for skills and training , thus sending the majority of staff for training per the WSP
- Received risk review report from both internal and external auditors. The department is attending to all highlighted risks

Challenges:

- The department is still to complete by-laws analysis report
- HR policies are still to be reviewed
- The department could not conduct a PMS largely because there is no PMS guide in the municipality

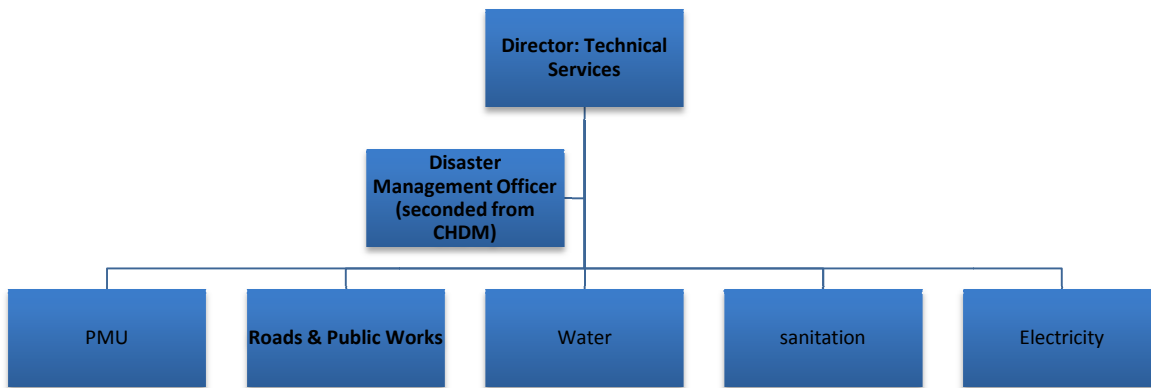
5.4 Technical Services Department

5.4.1 Introduction

The Technical Services Department manages the delivery of infrastructure (services) and the technical affairs of the Municipality. The department provides strategic support by, amongst others, facilitating the continuous updating of sectoral plans to inform integrated development planning.

The department manages and monitors the implementation of projects emanating from the IDP, in accordance with policies adopted by the Municipality. The department also reports on the projects executed and maintain control systems for each phase of project implementation using appropriate project management system

5.4.2 Structure of the Technical Service Department



Director: Technical Services, Mr Mntonintshi

5.4.3 Performance Report: Successes and Challenges

In the tables below, find the activities of the department for this financial year. The tables seek to show both the successes and failures of the department, and show which projects the departments implemented during this financial year.

KEY PERFORMANCE AREAS	PROGRESS TO DATE	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	CHALLENGES / ACHIEVEMENTS
<p><u>CLUSTER WATER</u></p> <p>Install extension reticulation network in and around villages with existing infrastructure and reduce water carting services to all nine wards Revitalise Windmills. Cluny Farm(Qhiba, Luxeni, Xonya, Taleni, Cala Pass, Cala Pass Farm, Macangceni , Mfengwana Farm), Alipha Farms and Seplan (Exeni, Nqwebebeni, Thembeni, Maqwathini)</p>	<p>Cluster 4 of the water supply rural scheme has started and is in progress.</p> <p>The Seplan Water Supply project was handed over to the community on the 29 November 2011- on defects liability.Clunny Farm the site hand over to the contractor was on the 23rd of November 2011. Alipha Farms: Phase 2 for Northern Eastern Scheme tender is on evaluation and anticipates construction to commence Feb 2012.</p> <p>The site has been handed over to the contractor on the 14th of August 2011, construction is in progress and the project will completed end April 2012.</p>	See attached report from Chris Hani District Municipality	See attached report from Chris Hani District Municipality	Xhalanga water supply was handed over by Chdm through Mr Turwana who is the project manager. Minutes of meetings as proof of this project will be attached.	By the end of the 3 rd quarter the Xhalanga water supply had been finished and the project was handed over to the beneficiaries or community.	The role of the municipality and the council is to identify backlog areas, also to give support through water carting on areas that have not been prioritised. Advertisement for the water cluster by the Chris Hani district was issued through the Daily dispatch.
<p><u>CLUSTER TOILETS</u></p> <p>implementation of sanitation projects prioritized by CHDM for Kwasiibonda/Komkhulu,Edrayini,Emag adusheni,Elerini,Esikolweni,Emalawini, Emsengeni, (SEPLAN) Askeaton, Nqwebebeni, Ngxumza, Bumbana, Qolweni, Bloemvale, Emaqwathini, Panabhokwe, Panatyiphu, Thembeni, Seplan Mission (STOKWE' BASIN) Barracks, Sdikidikini, White City, Sphafeni, Luxeni (MANZIMAHLE) Dolophini, Strong Yard, Mamfengwini, Zwelitsha, Qolombeni South, Phumlani (MTINGWEVU) Blobela, Panatyiphu, Ntlakwevenkile, Ngxingweni, Ntwashu, Mandela, Ndambana, Komkhulu, Luxeni,Famini, Dengwana</p>	To date sanitation programme of 5 is in progress. An explanatory report is attached for perusal.	See attached report from Chris Hani District Municipality	See attached report from Chris Hani District Municipality	See attached report from Chris Hani District Municipality	See attached report from Chris Hani District Municipality	The role of the municipality to find beneficiary list through ward councillors.
(Provision of Municipal Services to all communities in and around Sakhisizwe Municipality (water cartage, supply of drinking water (Blue Drop) & honey sucking services in sanitation.	Daily operational work which its progress is measured on the expenditure trends of the municipalities' operational budget.	See expenditure trends at finance.	A blue drop assessment has been carried out in this quarter which did not yield any	Blue drop assessment results have been issued which showed 80% rating which looks better but saying a lot still needs to be done as	A proposed organogram for water services section which takes it into consideration	The is a huge shortage of staff in this section. A high rate of illiteracies

				we still yet to meet the 94% of the required standards.	that water services needs in achieving the blue drops status we have to look at the blue drop assessments to presented to council,	
Implement water demand management & public education ➤ % of wards who received awareness education from Sakhisizwe LM % reduction in water losses due to system errors and inappropriate usage	Awareness campaigns have been done during the first quarter in meetings between the customer care official and the community service providers (csp) on monthly basis.	Three meetings have occurred each quarter per ward or per each village with a water scheme or an engine.	Attached is a schedule and credentials for all the meetings that have occurred to date	During the national water month of March 2012 Sakhisizwe LM decided to hold their water month at Mchewula administrative area in ward 7 and as well it was followed by a door to door campaign in Manzimdaka village in ward 5.	It has since been followed by the workshop of all scheme operators and board members at the Cala indoor sports centre early in May.	
Electricity TSM link together with Eskom on progress of implementation in rural electrification program by Eskom for the following 13 villages: <ul style="list-style-type: none"> • New City • Manazana • Cala Reserve • Tsengiwe • Ekuphumleni (Vergenoeg) • Polar Park (Masimini • Mnxe • Manzimdaka • Eluqolweni (Seplani Mission) • Mhlwazi • Ekuphumleni A,B,C • Esikhobeni • Phindela 	100% (13 villages) Planning by Eskom unit has been done during this period.	Procurement of service provider to electrify Manzana; new city; part of Tsengiwe village and Ekuphumleni	Construction has begun during the last month of the second quarter.	Construction of Mv-Line bulk lines in the listed villages is being done.	Construction of Mv-Line and connection of households in Manzana, New city, Cala Reserve continues in this quarter.	One of the biggest problems which we face as the municipality is that Eskom representative responsible for our area is not a very co-operative man. He would prefer working with the office of the mayor than having a meeting with officials like him. This then becomes a problem as report is often requested from the management while it rests with the mayor.
Installation of electricity network and connection of 900 households at Takalani Location (800 units) and Lower Lanaganci bulk electricity line and 300 units. Municipal capital budget.	Construction and installation of electricity prepaid metres in Hillview where about 40 houses were connected. Takalani about 440 houses have been connected during this term.	A high mast street lighting in Takalani as part of this project was connected to light before the houses were connected.				This project had apparently been done in two financial years of 2010/2011 and 2011/2012.

Maintenance of existing community street lighting in Elliot town and high mast street lightning in Cala	A continuous maintenance in Cala high mast street light.	A continuous maintenance in Cala high mast street light.				
Maintenance of electricity network in licensed municipal areas (Elliot town)	Street lights and electricity network in Elliot is being done on continuously. The operational expenditure will bear testimony of this fact.	Street lights and electricity network in Elliot is being done on continuously. The operational expenditure will bear testimony of this fact.				A shortage of personnel in this section hinders the service delivery.
Roads & storm water (1)Rehabilitate of gravel roads in both rural and urban areas		During this time roads section were eventful with the Interventions made by the honourable Mayor in both towns(Mthingwevu; Galili access road & Gareni Blading; Lower Langanci(Electricity) and Upper Langanci, Elliot(portion of Izibanxele) Cala Blading sum streets in ward 4	Interventions continued but there was a huge impediment made by natural cause (Heavy Rain, heavy Storm etc and shaping of roads for affected families by interment	Interventions continues up until the Infrastructure standing committee through the council, took a resolution to say if Plant is working (intervening) on that particular area it must at least take a period of approximately a month so as to fit in program of one month per ward .The above mentioned idea was implemented successfully but there was another delay caused by Municipal Traffic(Impounding) the Municipal Machinery that took about two to three weeks.		
3)Seal existing road in cala roads &	Tender process started during the month of August 2011 as	Bid evaluation committees and bid	During the second quarter Elliot old location comm... Hall; Cala roads &	Storm-water project phase 2 still in		

storm-water project phase 2	well as the tender closing process.	adjudication committee set during the second quarter.	storm water phase 2 and Elliot old location cemetery started in December 2011.	progress But there was delay caused by suppliers (Rocler)		
4) Upgrade & Maintain storm water channels in Elliot town	During the first quarter 10 labourers employed in the EPWP from all seven wards for a period of six month started in the month of April 2011 and ended in September 2011.	During the second quarter, no Epwp programme occurred due to funds being exhausted.	A number of seventy (70) work opportunities were created each month for a period of six months.	During the third quarter TSD were utilizing the 4 casuals to open the storm water v-drain and those casual employees that were specifically employed for pothole patching in Elliot town.		Council need to approve a project that would be EPWP compliant which could increase more work opportunities and as well skills transfers to community members benefiting in the programme.
5) Rehabilitate tar roads by filling up and patching pot-holes.	A vote of roads maintenance in the municipal budget of 2011/2012 has been utilised timeously to purchase the pre-mix asphalt for the filling of pot-holes in Elliot.	During the month of December 2011 another purchase of the pre-mix material has been purchased	During the month of February another pre-mix material has been purchased and it was used but the challenge was community driving over cold pre-mix causing damage on the pavement (Road).			Most roads in Elliot are full of pot-holes and are in a bad state. Substantial amount is needed to re-do the streets that are more affected.
(6) Close up existing Elliot Old Location cemetery and establish Elliot Old Location Cemetery at a new position location cemetery	Project went through procurement	Project handed over to the contractor in the first week of December 2011 and is to be completed in March 2012	Municipality is to provide a new cemetery for the community of old location and then close the existing cemetery which was not registered as a cemetery, while at the same time avoid a land claim from one of the property owners in Elliot.			

<p>Municipal Public Works (1) Develop and implement creation, maintenance and rehabilitation programme for all municipal public works</p>	<p>These in particular inter links with community services KPA and a necessary budget to undertake this need to be availed.</p>	<p>During the first quarter 10 labourers employed in the EPWP from all seven wards for a period of six month started in the month of April 2011 and ended in November 2011.</p>	<p>During the second quarter, no Epwp programme occurred due to funds being exhausted.</p>	<p>A number of seventy (70) work opportunities were created each month for a period of six months.</p>		<p>No budget available to undertake all these activities</p>
<p><i>Two community halls to be constructed (Elliot Old Location Community Hall & Cala Ward 5 (Ndondo Square) Community Hall</i></p> <ul style="list-style-type: none"> ➤ <i>Upper Indwana Access Road</i> ➤ <i>Ward 6 Community Hall</i> ➤ <i>Ward 7 Community Hall</i> ➤ <i>Elliot Old Location Cemetery</i> ➤ <i>Elliot landfill site transfer station</i> ➤ <i>Cala landfill sites</i> ➤ <i>Elliot & Cala Walkways and Pavements</i> <p><i>100% complete Building of Office Block (Holly Cross)</i></p>	<p>See attached report from pmu Planned for the third and fourth quarter respectively In progress to be completed during the fourth quarter.</p>		<p>Planning Stage</p>	<p>Ndondo Square community hall commenced during this period</p>		
<p>KPA2 FINANCIAL VIABILITY</p>						
<p>Electricity (1) Purchase strategic spares for electric system</p>	<p>Planned to purchase Vending station for Takalani community and Hillview communities.</p> <p>Installation and construction of electricity network in Lower Langanci rural electrification on funded by department of energy (R4 000 000.00)</p>	<p>Takalani (Saki Lengesi) location was 8th February 2012.</p>				<p>Intense training still needs to be done with finance staff to get used with vending station. Municipality still need to make provisions in order to sell Electricity during weekend and public holiday's time.</p>
<p>(2) Investigate and implement alternative energy sources</p>	<p>Technical services manager has organised about two presentations for the supply and installations of solar</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>Council is not interested in any alternative sources of energy.</p>

	geysers but to date, council has not yet given management from perusing the matter further					
KPA3 INSTITUTIONAL TRANSFORMATION						
Electricity Finalise 5 Year Master Plan	<p>A three year plan based on the municipalities IDP is currently in place it has the following projects</p> <ul style="list-style-type: none"> • Cala streets lights • High mast street lights in California and ext. 15 • Lupapasi rural electrification and house connections • Polar Park high mast street lights • Phelandaba high mast street light • Rural electrification by Eskom of new city, Mnxe and Mnxe mission. 				<p>Most rural electricity projects are undertaken by Eskom and the municipalities role is to collect backlogs provide to Eskom for planning and implementation.</p> <p>Where municipality electrifies it is in small areas like Lower Langanci in which even planning of these projects are to be approved by Eskom planning committee.</p>	

Find below Capital Projects Report

PROJECT NAME	PROJECT BUDGET	CONTRACT VALUE	EXPENDITURE TO DATE	PROJECT STARTING DATE	PROJECT END DATE	PROGRESS TO DATE	VARIENCE	CHALLENGES	NO OF PEOPLE EMPLOYED	AMOUNT PAID FOR LOCAL EMPLOYMENT PER PROJECT
Old location Community Hall	R2,242,570.00	R 1 809 352.14	R 1 624 868.42	09 th December 2011	End May 2012	This project is doing well and the contractor will meet the targeted date			27	364500
Old location cemetery	R899 000.00	R 512 000.00	R 385 812.47	02 th December 2011	End May 2012	This project stated at lower pace and they managed to improve their performance and the will be finish by the end of this month.			9	101250
Cala roads & storm water project phase 2	R3,197,989.67	R 3 108 752.40	R 1 356 894.00	02 th December 2011	End May 2012	The contractor is working hard to improve the situation and also hoping that they will meet the targeted date. The contractor has written a letter for extension of time and they have stated their reasons of delay in the letter.			18	243000
Ward 5 Community hall	R2,000 000.00	R 1 816 450.01	R 675 160.64	17 th February 2012	End July	This project stated late due to the weather condition that affected them to perform their duties on time. The contractor submitted a revised programme plan that will address the delays that occurred.			30	N/A

Ward 6 Community hall	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ward 7 Community hall	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Upper Indwana Access Road	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

5.5 Budget & Treasury Directorate

5.5.1 Introduction

The department has the following key responsibilities:

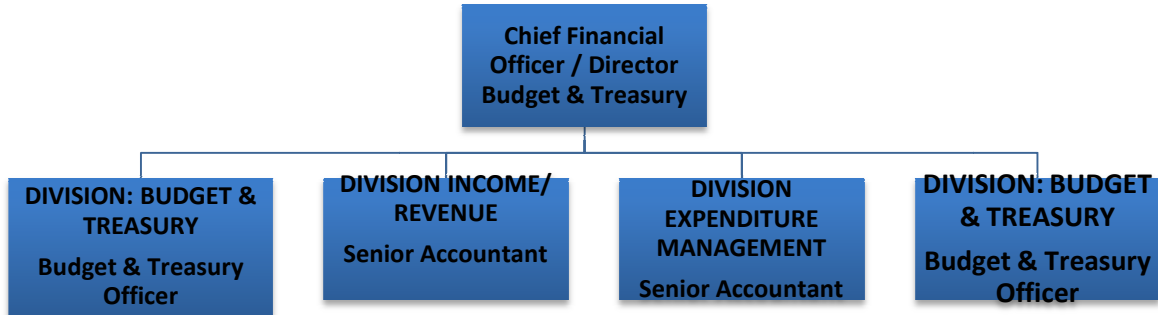
- Revenue Collection/Income Generation
- Co-ordinating and managing Municipal Expenditure
- Budgeting
- Managing Accounting and Reporting of financial Information
- Managing Technology Assets and Financial Risks
- Supply Chain Management
- Managing Departmental SDBIP & aligned financial plans

The above responsibilities are aimed at achieving the following municipal objectives:

- Implementation of all National Treasury Regulations;
- Implementation of all policies and procedures as stipulated in the Municipal Finance Management Act (MFMA) and National Treasury Financial Regulations;
- Compliance and conversion to GRAP;
- Effective and transparent supply chain management practices;
- Effective, efficient and economic management of the municipal financial resources;
- Management and safeguarding of the assets of the municipality in order to ensure effective and economic delivery of services; and
- Maintenances and support to the IT equipment and network.

5.5.2

Structure of the Budget and treasury Department



Chief Financial officer, Mr P Steyn

5.5.3 Performance Report: Successes and Challenges

Successes

The department:

-
- Attained a target set in the SDBIP on awarding contracts to HDIs
- M&E systems is successfully implemented as set-out in the KPAs
- AFS were submitted timeously to the AG
The draft and final budget was adopted by council timeously and submitted to National and provincial government.
- All reports, as required by MFMA were submitted to all relevant institutions timeously
- The department received provincial allocation on time, largely because all the required documents were sent to Province on time

Challenges

- The municipality received a Qualified Audit opinion. This means the department still has to tighten its adherence to MFMA prescripts

Chapter 6



Financial Performance

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

General Information

Nature of business and principal activities	Service delivery
Accounting Officer	Thembeni Samuel
Chief Finance Officer (CFO)	Pieter Steyn
Registered office	15 Maclear Road Elliot 5460
Business address	15 Maclear Road Elliot 5460
Postal address	PO Box 21 Elliot 5460
Bankers	First National Bank
Auditors	Office of the Auditor General

6.1 Statement of Financial Performance

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Statement of Financial Performance

Figures in Rand

	Note(s)	2012	2011
Revenue	19	67,274,667	54,716,284
Other income		13,956,522	3,295,762
Operating expenses		(75,178,822)	(60,839,049)
Operating surplus (deficit)		6,052,367	(2,827,003)
Investment revenue	29	661,566	835,634
Loss on sale of assets		(12,743)	-
Finance costs	32	(1,393,637)	(1,179,791)
Surplus (deficit) for the year		5,307,553	(3,171,160)

6.2 Spending against Capital Budget

6.3 Cash Flow Management and Investment

INVESTMENT SUMMARY FOR THE YEAR:	JULY 2011 - JUNE 2012					
Description	Opening Balance	Investment Made	Investment Withdraw	Investment Interest	Bank Charges	BALANCE
FUNDS						
(MSP) MUNICIPAL SUPPORT PROGRAMME	43 377.66	0.00	498.31	542.64	720.00	42 701.99
(MIG) MUNICIPAL INFRASTRUCTURE GRANT	185 655.90	13 431 000.00	8 056 220.25	66 181.40	720.00	5 625 897.05
ELLIOT HOUSING	1 109.59	0.00	11.15	11.15	0.00	1 109.59
SURVEY ACCOUNT	9 367.67	0.00	113.67	113.67	720.00	8 647.67
EXTENTION 13 & 14	1 000.00	0.00	10.06	10.06	0.00	1 000.00
EXTENTION 15	2 213.41	0.00	22.25	22.25	0.00	2 213.41
(FMG) FINANCE MANAGEMENT GRANT	24 789.04	1 500 000.00	1 546 965.17	32 176.13	0.00	10 000.00
GENERAL VALUATION	1 000.00	0.00	10.05	10.05	0.00	1 000.00
IDP PLAN	109 452.43	0.00	58 232.06	2 397.14	0.00	53 617.51
(MSIG) MUNICIPAL SYSTEM IMPROVEMENT GRANT	13 065.61	790 000.00	806 592.13	13 526.52	0.00	10 000.00
PMF REVIEW ACCOUNT	172 764.00	0.00	6 911.91	6 911.91	0.00	172 764.00
DME	3 713 115.20	4 100 000.00	5 906 637.60	138 674.38	0.00	2 045 151.98
IEC - ELECTION	47 422.50	0.00	479.60	479.60	0.00	47 422.50
SKILLS DEVELOPEMENT	31 319.84	0.00	1 054.10	1 054.10	0.00	31 319.84
OPERATING FUNDS						
OPERATING CALL	4 963 627.55	39 736 982.34	42 000 000.00	387 967.17	0.00	3 088 577.06
	9 319 280.40	59 557 982.34	58 383 758.31	650 078.17	2 160.00	11 141 422.60

6.4 Other Financial Matters

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Officer's Responsibilities and Approval

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 annual financial statements set out on pages 4 to 69, in terms of section 126 (1) of the Municipal Finance Management Act and which have been prepared on the going concern basis. I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office as disclosed in the notes to the 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. The annual financial statements have been approved on behalf of the Municipality by the accounting officer and were signed on its behalf by:

Thembeni Samuel
Municipal Manager

East London
Friday, 31 August, 2012

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Other receivables from non-exchange transactions	9	3,451,511	4,337,264
VAT receivable	10	4,238,270	5,877,444
Trade & other receivables from exchange transactions	11	3,373,805	1,618,190
Cash and cash equivalents	12	11,743,281	9,967,338
		22,806,867	21,800,236
Non-Current Assets			
Investment properties	4	34,779,036	34,968,398
Property, plant and equipment	5	94,494,440	87,232,643
		129,273,476	122,201,041
Total Assets		152,080,343	144,001,277
Liabilities			
Current Liabilities			
Finance lease obligation	13	2,202,687	2,156,294
Trade & other payables from exchange transactions	16	6,117,988	4,935,368
Consumer deposits	17	344,469	313,534
Employee benefit obligation	7	67,549	92,063
Unspent conditional grants and receipts	14	8,377,946	4,455,654
		17,110,639	11,952,913
Non-Current Liabilities			
Finance lease obligation	13	6,038,197	8,240,885
Employee benefit obligation	7	1,094,048	1,488,773
Provisions	15	2,323,200	2,112,000
		9,455,445	11,841,658
Total Liabilities		26,566,084	23,794,571
Net Assets		125,514,259	120,206,706
Net Assets			
Accumulated surplus		125,514,259	120,206,706

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	86,336,493	86,336,493
Adjustments		
Change in accounting policy (note 2)	35,157,760	35,157,760
Prior period errors (note 39)	1,883,613	1,883,613
Balance at 01 July, 2010 as restated	123,377,866	123,377,866
Changes in net assets		
Surplus for the year	(3,171,160)	(3,171,160)
Total changes	(3,171,160)	(3,171,160)
Opening balance as previously reported	87,280,182	87,280,182
Adjustments		
Change in accounting policy (note 2)	34,968,398	34,968,398
Prior period errors (note 39)	(2,041,874)	(2,041,874)
Balance at 01 July, 2011 as restated	120,206,706	120,206,706
Changes in net assets		
Surplus/ (deficit) for the year	5,307,553	5,307,553
Total changes	5,307,553	5,307,553
Balance at 30 June, 2012	125,514,259	125,514,259
Note(s)		

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		12,915,202	4,533,560
Grants		54,254,512	47,608,069
Interest Income		4,242,775	-
Other receipts		14,873,210	2,556,574
		86,285,699	54,698,203
Payments			
Employee costs		(32,595,076)	(22,380,268)
Suppliers		(14,056,710)	(6,442,452)
Finance costs		(147,994)	-
Other payments		(18,578,368)	(20,960,705)
Prior year non-cash journal		-	(3,610,185)
		(65,378,148)	(53,393,610)
Net cash flows from operating activities	36	20,907,551	1,304,593
Cash flows from investing activities			
Purchase of property, plant & equipment	5	(16,391,236)	(16,616,806)
Cash flows from financing activities			
Finance lease payments		(2,156,295)	9,781,509
Other cash item		-	(30,716)
Interest income		661,566	2,546,571
Finance costs		(1,245,643)	(1,179,791)
Net cash flows from financing activities		(2,740,372)	11,117,573
Net increase/(decrease) in cash and cash equivalents		1,775,943	(4,194,640)
Cash and cash equivalents at the beginning of the year		9,967,338	14,161,978
Cash and cash equivalents at the end of the year	12	11,743,281	9,967,338

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand and rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.2 Property, plant and equipment

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 period.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at 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 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.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity with a maximum period of four years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.2 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	30
Plant and machinery	5 - 10
Furniture and fixtures	5-7
Motor vehicles	5
Office equipment	5-7
IT equipment	5-7
Infrastructure	
Roads and paving	25 - 50
Pedestrian Malls	30
Electricity	15 - 50
Community	
Improvements	30
Recreational facilities	20-30
Security	5
Investment property	30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.3 Landfill Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of landfill site. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of landfill site includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.4 Provision for debt impairment

An asset is identified as an intangible asset when it:

is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Provision for debt impairment are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

it is technically feasible to complete the asset so that it will be available for use or sale.
there is an intention to complete and use or sell it.
there is an ability to use or sell it.
it will generate probable future economic benefits or service potential.
there are available technical, financial and other resources to complete the development and to use or sell the asset.
the expenditure attributable to the asset during its development can be measured reliably.

Provision for debt impairment is carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these provision for debt impairment, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other provision for debt impairment amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as provision for debt impairment.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.4 Provision for debt impairment (continued)

Amortisation is provided to write down the provision for debt impairment, on a straight line basis, to their residual values as follows:

Provision for debt impairment is derecognised:
on disposal; or
when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 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 non collection.

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 .

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 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.

Cash and cash equivalents are initially measured at fair value and subsequently at amortised cost. They are categorised as financial assets: loans and receivables.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.5 Financial instruments (continued)

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.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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 entity 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 and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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.

Impairment and non collection 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:

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.5 Financial instruments (continued)

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.5 Financial instruments (continued)

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.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.5 Financial instruments (continued)

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 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.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or the bank prime interest rate..

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Sakhisizwe Local Municipality

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Accounting Policies

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 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 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 and income tax expense.

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

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:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.10 Employee benefits (continued)

Defined contribution plans

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

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. An actuarial study was undertaken to determine the municipality's obligations. 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 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.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.11 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
necessarily entailed by the restructuring; and
not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Accounting Policies

1.18 Presentation of currency

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

1.19 Offsetting

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

1.20 Transfer of functions between entities not under common control

A transfer of function between entities not under common control is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A function is considered to be an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function.

Where the municipality is the acquirer of a function, the municipality will measure the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

The acquisition date will be considered the date control is obtained of the function.

Any difference between the fair value of the assets and liabilities assumed and the consideration (if any) will be recognized as of the acquisition date in surplus or deficit. The consideration transferred in a transfer of functions shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the residual interests issued by the acquirer.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Investment Property: The transitional provision for directive 4 was previously applied in 2011. The Directive has expired and Investment properties, which were previously recognised at the provisional amount of R nil, have now been recognised at their fair value in 2012. The adjustment to the fair value and related depreciation was made in terms of a change in accounting policy with retrospective effect on the corresponding figures.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June, 2011 is as follows:

Investment Property

Previously stated	-	-
Adjustment	35,157,760	35,157,760
	35,157,760	35,157,760

Accumulated Surplus

Adjustment	(34,968,398)	(35,175,760)
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Statement of Financial Performance

Depreciation on Investment Properties

Adjustment	189,362	-
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3. New standards and interpretations

3.1 Standards and interpretations effective 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:

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
 recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010).

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
 a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
 an increase that reflects the passage of time (also referred to as the unwinding of the discount).

The effective date of the interpretation is for years beginning on or after 01 April, 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

Is the definition of an asset met?

If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?

If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?

How should the entity account for a receipt of cash from its customer?

The effective date of the interpretation is for years beginning on or after 01 April, 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 April, 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

how to determine whether a series of transactions is linked and should be accounted for as one transaction;

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,

- whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
- how the entity should account for other obligations resulting from the arrangement; and
- how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after 01 April, 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:

Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:

Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:

Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

A change from one basis of accounting to another basis of accounting is a change in accounting policy.

A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.

Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:

Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:

Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:

The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2010): Leases

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Scope:

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:

Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:

The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:

The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:

The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 14 (as revised 2010): Events After the Reporting Date

Existence of a liability for dividends or similar distributions:

Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:

The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.

Investment properties under construction have been removed from the scope.

Measurement at initial recognition:

Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Depreciable amount and depreciation period:

An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:

The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.

Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.

The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

Social benefits:

Paragraphs .08 and .16(a) clarify that social benefits due at year end are 'payables', as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:

Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:

In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board's decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations issued, but not yet effective

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 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2012.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality;
- and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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.

An 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, an entity estimates the recoverable service amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an 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.

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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, an 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, an entity 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.

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

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.

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.

An municipality assess at each reporting date 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, an municipality estimates the recoverable amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June, 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Present value of defined benefit obligations and current service cost:

- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;
- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.

Plan assets:

- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

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3. New standards and interpretations (continued)

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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3. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April, 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;

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3. New standards and interpretations (continued)

identifying outstanding balances, including commitments, between an entity and its related parties;
identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

Close member of the family of a person;
Management;
Related parties;
Remuneration; and
Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;
Related party transactions; and
Remuneration of management

The effective date of the standard is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

Sakhisizwe Local Municipality

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3. New standards and interpretations (continued)

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

Sakhisizwe Local Municipality

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3. New standards and interpretations (continued)

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Sakhisizwe Local Municipality

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4. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	35,157,760	(378,724)	34,779,036	35,157,760	(189,362)	34,968,398

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	34,968,398	(189,362)	34,779,036

Reconciliation of investment property - 2011

	Opening balance	Other changes, movements	Depreciation	Total
Investment property	-	35,157,760	(189,362)	34,968,398

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value for the Investment property was determined in 2009 through an independent property valuation by a valuer who at the time had a recognised qualification.

The transitional provision for directive 4 was previously applied in 2011. The Directive has expired and Investment properties, which were previously recognised at the provisional amount of R nil, have now been recognised at cost in 2012. The adjustment to the cost and related depreciation was made in terms of a change in accounting policy with retrospective effect on the corresponding figures. (refer to note 2 on Change in Accounting Policy for further detail)

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	883,000	-	883,000	883,000	-	883,000
Buildings	8,747,359	(277,849)	8,469,510	8,335,501	-	8,335,501
Landfill Sites	4,378,375	(730,488)	3,647,887	2,055,175	(486,992)	1,568,183
Plant and machinery	17,851,388	(7,129,156)	10,722,232	17,403,688	(4,533,078)	12,870,610
Furniture and fixtures	2,116,875	(985,396)	1,131,479	1,530,830	(291,175)	1,239,655
Motor vehicles	2,886,149	(1,921,356)	964,793	1,119,376	(238,415)	880,961
Office equipment	400,014	(168,948)	231,066	355,332	(138,310)	217,022
IT equipment	1,498,348	(858,430)	639,918	1,429,332	(677,205)	752,127
Emergency equipment	55,372	(40,927)	14,445	55,372	(36,254)	19,118
Infrastructure	68,170,100	(13,718,331)	54,451,769	65,463,299	(8,497,047)	56,966,252
Community	2,561,623	(85,388)	2,476,235	2,468,464	-	2,468,464
Work in Progress	10,862,106	-	10,862,106	1,031,750	-	1,031,750
Total	120,410,709	(25,916,269)	94,494,440	102,131,119	(14,898,476)	87,232,643

Sakhisizwe Local Municipality

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance (Carrying value)	Additions	Disposals	Transfers	Depreciation & other adjustments	Impairment loss	Total (Carrying value)
Land	883,000	-	-	-	-	-	883,000
Buildings	8,335,501	411,858	-	-	(277,849)	-	8,469,510
IT equipment	752,127	89,824	(12,743)	-	(167,562)	(21,728)	639,918
Furniture and fixtures	1,239,655	74,242	-	-	(178,188)	(4,230)	1,131,479
Office equipment	217,022	44,682	-	-	(30,138)	(500)	231,066
Emergency Equipment	19,118	-	-	-	(4,673)	-	14,445
Motor vehicles	880,961	369,415	-	-	(109,601)	(175,982)	964,793
Plant and machinery	12,870,610	447,700	-	-	(2,596,078)	-	10,722,232
Infrastructure	56,966,252	756,834	-	1,949,966	(5,221,283)	-	54,451,769
Community	2,468,464	93,159	-	-	(85,388)	-	2,476,235
Landfill Sites	1,568,183	2,323,200	-	-	(243,496)	-	3,647,887
Work in Progress	1,031,750	12,637,244	-	(2,806,888)	-	-	10,862,106
	87,232,643	17,248,158	(12,743)	(856,922)	(8,914,256)	(202,440)	94,494,440

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance (Carrying value)	Additions	WIP	Depreciation & other adjustments	Total (Carrying value)
Land	883,000	-	-	-	883,000
Buildings	8,290,500	45,001	-	-	8,335,501
IT equipment	765,095	189,848	-	(202,816)	752,127
Furniture and fixtures	598,118	740,954	-	(99,417)	1,239,655
Office equipment	113,850	127,926	-	(24,754)	217,022
Emergency equipment	23,791	-	-	(4,673)	19,118
Motor vehicles	1,119,376	-	-	(238,415)	880,961
Plant and machinery	732,294	14,230,056	-	(2,091,740)	12,870,610
Infrastructure	58,859,364	3,306,506	-	(5,199,618)	56,966,252
Community	1,866,581	601,883	-	-	2,468,464
Landfill Sites	1,568,183	-	-	-	1,568,183
Work in Progress (WIP)	-	-	1,031,750	-	1,031,750
	74,820,152	19,242,174	1,031,750	(7,861,433)	87,232,643

Pledged as security

There were no assets pledged as security.

Assets subject to finance lease (Net carrying amount)

Plant and machinery	9,819,637	12,381,047
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Property, plant and equipment (continued)

Impairment of assets took place where assets were physically inspected and found to be damaged to the extent where the expected useful life of the asset is expected to be reduced. The relevant assets will not be repaired or maintained in order to sustain the original estimated useful life of the asset

Adjustments were made to the corresponding figures for certain categories of property, plant and equipment. The adjustments related to prior period errors (refer to detail in note 40)

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6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial assets amortised	Total
Other receivables from non-exchange transactions	3,451,511	3,451,511
Trade & other receivables from exchange transactions	3,373,805	3,373,805
Cash & cash equivalents	11,743,281	<u>11,743,281</u>
	18,568,597	<u>18,568,597</u>

2011

	Financial assets amortised	Total
Other receivables from non-exchange transactions	4,337,264	4,337,264
Trade & other receivables from exchange transactions	1,618,190	1,618,190
Cash & cash equivalents	9,967,338	<u>9,967,338</u>
	15,922,792	<u>15,922,792</u>

7. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical aid defined benefit medical plan. The last valuation was performed by Deloitte & Touch Actuarial & Insurance Solutions using the Projected Unit Credit Method.

The value of the PRMA (Post-retirement medical assistance) liability is respect of all eligible Sakhisizwe Municipality employees who belong to one of the following medical schemes: Hosmed, Kei Health, LA Health, Bonitas and SAMWUMED.

Sakhisizwe Municipality will contribute 70% of the total premium payable, subject to a maximum of R2 850.80 (2011: R2 850.80.) The municipality only subsidises the employee, spouse or life partner, biological children, and legally adopted children, up to the age of 21 years. An assumption is therefore made that should a child dependant turn 21 years of age, he/she is no longer eligible for subsidy benefits.

Post retirement defined benefit medical aid plan

Membership profile:

- The calculation is based on 2 members (2011: 4) with an average age of 67.8 (2011: 66.1), and 1.5 average dependants (2011: 0.75) and an average monthly contribution of R2 751 (R1 871)

The average age of pensioners increased by 1.2 years while, the average number of dependants increased from 0.75 to 1.50 from the previous valuation. These changes were as a result of 2 pensioners (Takane and Coetzer) leaving their medical scheme.

The large change in average monthly employer contribution is due to the following:

- An increase in the medical scheme contribution rates. The principal member contributions increased from R 1,563 to R 1,696 (9%) for LA Active and from R 2,687 to R 2,916 (9%) for LA Core.
- However, the biggest contributor to this increase was the departure of Mrs Coetzer and Mrs Takane which led to the average number of dependants increasing and hence increasing the average monthly contributions of the municipality.

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7. Employee benefit obligations (continued)

The amounts recognised in the are as follows:

Present value of the defined benefit medical aid obligation

Present value of the defined benefit medical aid obligation	(1,161,597)	(1,580,836)
Non-current liabilities	(1,094,048)	(1,488,773)
Current liabilities	(67,549)	(92,063)
	(1,161,597)	(1,580,836)

There are no plan assets held by the municipality.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(1,580,836)	(1,714,738)
Interest cost	(93,724)	(115,854)
Benefit payments	92,063	95,689
Actuarial gain	420,900	154,067
	(1,161,597)	(1,580,836)

Key assumptions used

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7. Employee benefit obligations (continued)

Assumptions used at the reporting date:

Valuation assumptions

We used realistic assumptions in the central basis.

In this section, we discuss the central basis, on which the main results are based. We also performed sensitivity tests in a separate section below where we changed the central basis to allow for other factors and examined the effects on the results. These adjusted bases are discussed below where the results of the sensitivity tests are shown.

Investment returns

There is general agreement amongst the actuarial profession that IAS 19 (AC 116) requires the valuation discount rate to be equal to actual long bond yields at the date of the valuation (par. 78-82 of IAS 19 (AC 116)). The statement stipulates that:

The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

We have used the entire zero-coupon South African Bond Yield curve as at 29 June 2012 in the PRMA valuation of Sakhisizwe Municipality. Therefore, a single assumption for the discount rate is not shown. The full yield curve used in this valuation is given in Appendix A.

Medical inflation

Since the discount rates were described using a yield curve, a yield curve is also used to describe future medical inflation. Future medical inflation was assumed to be 1% lower than the valuation discount rate at each term to maturity. This assumption is consistent with the previous valuation.

It is not the actual levels of the assumptions that are important, but rather the differences or gaps between them (particularly between medical inflation and the discount rate). We believe that a long-term gap of 1% between medical inflation and the valuation discount rate is reasonable for long term valuation purposes. We refer to the difference between medical inflation and the discount rate as the "gap" or the real discount rate.

Consumer Price Index

We have assumed CPI to be 2.75% lower than the discount rate at each term to maturity. This is different to the assumption used in the previous valuation of 3.00% lower than the discount rate at each term to maturity.

A gap of 2.75% between CPI and the discount rate is believed to be more reflective view of future CPI rates due to the following two factors:

1. The current gap between CPI and the ZAR zero-coupon bond yield is below 3.00%.

StatsSA released their latest May 2012 CPI rate in June 2012. The May 2012 CPI rate is 5.7% year-on-year. In comparison, the ZAR zero-coupon bond annual effective yield is currently at 5.41%. The actual gap between CPI and the ZAR zero-coupon bond yield as at June 2012 is therefore 0.29%. The actual gap is therefore below 3.00%.

2. More importantly, over the long-term, the average gap between the ZAR zero-coupon bond yield curve and forecasted CPI is expected to be lower than 3.00%.

Therefore, we have reduced the CPI Gap assumption to 2.75% for the current valuation as this assumption provides a better reflection of expected future CPI rates in comparison to the previous assumption of 3.00%. We believe that a long-term gap of approximately 2.75% between CPI and the valuation discount rate is reasonable for long term valuation purposes.

Salary inflation

The maximum subsidy amount payable by Sakhisizwe Municipality of R 2,851 at 30 June 2012 is expected to increase from time to time. The rate of increase is assumed to be equivalent to salary inflation. This implies that salary inflation will have an impact on the liability. For the current valuation we have assumed salary inflation to be 1% above CPI in the long run. This is consistent with the previous valuation.

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7. Employee benefit obligations (continued)

Based on this assumption, salary inflation is assumed to be at a rate of 3.82% in the valuation model as at 30 June 2012 (compared to an expected salary inflation of 4.02% in the 2011 valuation). This implies that the maximum subsidy amount is expected to increase to R 2,960 in the following year.

The real discount rate (or the 'gap')

This is the variable having the greatest effect on the liability. Small changes in this assumption will lead to large changes in the liability result. As discussed above, we have assumed a gap of 1%. The effect of changes in the real discount rate is shown under the sensitivity analysis in a separate section below.

Normal retirement age

The normal retirement age of the Sakhisizwe Municipality employees is 65 years for males and 60 years for females.

Mortality

The post-retirement mortality used in the valuation is PA(90) M for males, and PA(90) F for Females.

Marital Status/Number of Dependants/ Spouse Age Difference

The actual numbers of adult and child dependants was used when valuing the pensioners. The actual age difference between spouses was used as per the data received for the 2011/2012 financial year.

8. Inventories

The quantity of water held in the reservoirs and pipelines at year end has not been included in inventory as it is not considered material to the fair presentation of the annual financial statements.

9. Other receivables from non-exchange transactions

Rates (net of impairment)	3,451,511	2,717,165
Debtor for the Rehabilitation of Landfill Sites	-	2,112,000
Chris Hani District Municipality Agency Account	-	(491,901)
	3,451,511	4,337,264

Key assumptions used in the assessment of the impairment of debt: It was considered that all debt owed by government departments, councillors & municipal officials and the agricultural sector will be recoverable, therefore no provision was made for the impairment of any outstanding debt balances for these categories.

10. VAT receivable

VAT Receivable	4,238,270	5,877,444
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During 2011 not all VAT returns were submitted to SARS by the due date due to delays experienced in the registration of Sakhisizwe Municipality for VAT e-filing. During the 2012 financial year VAT returns for December 2011 and June 2012 were submitted late.

11. Trade and other receivables from exchange transactions

Gross balances

Electricity	2,128,786	1,701,569
Refuse	14,976,897	13,977,489
Other Trade Debtors	34,485	33,436
Water	20,702,678	-
Sewerage	11,162,861	-
Irregular expenditure: Refundable	30,587	40,350
Other receivables	50,999	46,818
	49,087,293	15,799,662

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11. Trade and other receivables from exchange transactions (continued)		
Less: Provision for debt impairment		
Electricity	(697,379)	(573,698)
Refuse	(14,625,403)	(13,603,038)
Other Trade Debtors	(3,875)	(4,736)
Other receivables	-	-
Water	(19,695,580)	-
Sewerage	(10,691,251)	-
	(45,713,488)	(14,181,472)
Net balance		
Electricity	1,431,407	1,127,871
Refuse	351,494	374,451
Other Trade Debtors	30,610	28,700
Water	1,007,098	-
Sewerage	471,610	-
Irregular Expenditure: Refundable	30,587	40,350
Other receivables	50,999	46,818
	3,373,805	1,618,190
Electricity		
Current (0 -30 days)	763,330	564,214
31 - 60 days	158,489	165,968
61 - 90 days	107,506	89,455
91 - 120 days	59,069	67,931
121 - 365 days	343,013	240,303
	1,431,407	1,127,871
Water		
Current (0 -30 days)	269,938	-
31 - 60 days	52,874	-
61 - 90 days	40,815	-
91 - 120 days	30,115	-
121 - 365 days	613,356	-
	1,007,098	-
Sewerage		
Current (0 -30 days)	168,956	-
31 - 60 days	19,238	-
61 - 90 days	10,906	-
91 - 120 days	5,339	-
121 - 365 days	267,171	-
	471,610	-
Refuse		
Current (0 -30 days)	213,631	261,334
31 - 60 days	13,473	16,691
61 - 90 days	7,499	9,609
91 - 120 days	3,065	3,988
121 - 365 days	113,826	82,829
	351,494	374,451
Irregular expenditure		
Current (0 -30 days)	30,587	40,350

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11. Trade and other receivables from exchange transactions (continued)

Other receivables

Current (0 -30 days)	50,999	46,818
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Other Trade Debtors

Current (0 -30 days)	7,540	8,129
31 - 60 days	1,170	521
61 - 90 days	251	240
91 - 120 days	251	235
121 - 365 days	21,398	19,575
	30,610	28,700

Reconciliation of debt impairment provision

Balance at beginning of the year	(14,181,472)	(11,921,857)
Contributions to provision	(1,149,240)	(2,259,615)
Water & Sanitation reallocated from agency account	(30,382,776)	-
	(45,713,488)	(14,181,472)

Key assumptions used:

It was considered that all debt owed by government departments, councillors & municipal officials and the agricultural sector will be recoverable, therefore no provision was made for the impairment of any outstanding debt balances for these categories.

Sakhisizwe Local Municipality

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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	601,857	648,056
Short-term deposits	11,141,424	9,319,282
	11,743,281	9,967,338

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2012	30 June, 2011	30 June, 2010	30 June, 2012	30 June, 2011	30 June, 2010
First National Bank - Current Account - 6207-652-3135	949,789	871,244	504,350	601,857	648,056	32,648
MSP - 6207-652-2294	42,702	43,377	44,052	42,702	43,378	44,052
MIG - 6207-657-7091	5,625,897	185,655	25,885	5,625,897	185,656	25,886
Disaster fund - 6207-659-5902	-	-	75,346	-	-	75,347
Elliot Housing - 6207-745-0056	1,109	1,109	1,109	1,110	1,110	1,109
Survey Account - 6207-659-0621	8,648	9,367	10,087	8,648	9,368	10,088
Extension 13&14 -6207-745-1278	1,000	1,000	1,000	1,000	1,000	1,000
Extension 15 - 6207-740-8203	2,213	2,213	2,213	2,213	2,213	2,213
FMG - 6216 - 538 - 9464	10,000	24,789	32,490	10,000	24,789	32,490
General Valuation - 6207-745-0832	1,000	1,000	1,000	1,000	1,000	1,000
IDP plan - 6207-744-9603	53,618	109,452	226,761	53,618	109,452	226,761
MSIG - 6216-538-9555	10,000	13,065	585,617	10,000	13,066	585,617
PMF review account - 6216-534-1993	172,764	172,764	172,764	172,764	172,764	172,764
DME - 6220-960-0776	2,045,152	3,713,115	10,535	2,045,152	3,713,115	10,535
IEC - 6221-824-3418	47,422	47,422	47,422	47,423	47,423	47,423
Skills Development - 6217-582-8189	31,319	31,319	31,319	31,320	31,320	31,320
FNB Operating Call - 6216-534-1943	3,088,577	4,963,627	12,861,725	3,088,577	4,963,628	12,861,725
Total	12,091,210	10,190,518	14,633,675	11,743,281	9,967,338	14,161,978

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13. Finance lease obligation		
Minimum lease payments due		
- within one year	3,155,490	3,398,375
- in second to fifth year inclusive	6,970,943	10,126,434
	10,126,433	13,524,809
less: future finance charges	(1,885,549)	(3,127,630)
Present value of minimum lease payments	8,240,884	10,397,179
Present value of minimum lease payments due		
- within one year	2,202,687	2,156,294
- in second to fifth year inclusive	6,038,197	8,240,885
	8,240,884	10,397,179
Non-current liabilities	6,038,197	8,240,885
Current liabilities	2,202,687	2,156,294
	8,240,884	10,397,179

The municipality has plant & equipment assets to the value of R9 819 637 (2011: R12 381 047) subject to a finance lease.

It is the municipality's policy to lease certain motor vehicles, plant & equipment under finance leases. In terms of GRAP 13, when office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The average lease term was 5 years and the average effective borrowing rate was prime for the Wesbank motor vehicles and prime plus 4% fixed for the plant & machinery. No escalation clause is contained in the lease agreements. Ownership on the vehicles will transfer to the municipality at the end of the lease term. Ownership for the office equipment remains with the lessor. No security has been offered by the municipality for the leased assets. Bell Equipment stand security for the plant & equipment.

Total finance costs paid for the current year is R1 245 643 (2011: R1 063 937)

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National conditional grants	7,691,049	4,036,626
Other conditional grants	686,897	419,028
	8,377,946	4,455,654
Movement during the year		
Balance at the beginning of the year	4,455,654	1,267,836
Additions during the year	20,083,111	17,809,785
Income recognition during the year	(16,160,819)	(14,621,967)
	8,377,946	4,455,654

These amounts are invested in a ring-fenced investment until utilised.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding is expected over the next three financial years.

Sakhisizwe Local Municipality

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15. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation of Landfill Sites	2,112,000	211,200	<u>2,323,200</u>

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation of landfill sites	1,920,000	192,000	<u>2,112,000</u>

The legislation does not dictate the time frame in which the rehabilitation must be undertaken. Allowance has been made for all landfill sites that are required to be closed in terms of Department of Water Affairs minimum requirements to be closed. The area where the landfill operations complete must be closed and capped. Although the classification has been advised as being "C" – Communal, The Minimum Requirements for Waste Disposal by landfill states that where the Minimum Rate of Deposition (MRD) is borderline, the higher class must be used. For the purpose of this document, the conservative approach will be followed, as no formal study has been made of the sites of the current or projected MRD, or of the significance of the Climate Water Balance (B).

The closure design will be based on "S" – Small sites, with a significant Climate Water Balance (B+), and it is accepted that the design may be reduced if the study indicates the site is indeed Communal, or if the Climate Water Balance (B) is sporadic rather than significant.

In calculating the provision for rehabilitation, the following four items have been included:

1. Direct Contract Cost
2. Indirect Professional Fees
3. Indirect disbursements
4. Escalation

The costs in the construction industry have escalated at approximately 10% to 12% per annum. The estimate for the closure of the landfill sites was compiled by Munitech, who have specialist experience closure of landfill sites.

16. Trade & other payables from exchange transactions

Trade payables	1,936,639	2,318,978
Accrual for leave	2,551,467	1,452,841
Accrued expenses: Provision 13th cheque	510,743	476,829
Accrued expenses: Workmens compensation	363,534	309,264
Deposits received: Dam & Hall deposits	13,321	6,084
Other creditors: Debtors in credit balance	742,284	371,372
	6,117,988	4,935,368

The accrued expense for Workmens Compensation relates to an assessment received for the 2005 financial year, for which the municipality has not yet submitted an assessment to the Department of Labour its compensation for Health & Safety. The municipality is currently in the process of negotiating settlement terms for the debt.

The fair value of trade and other payables approximates their carrying amounts.

17. Consumer deposits

Electricity	344,469	313,534
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Sakhisizwe Local Municipality

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18. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Trade & other payables from exchange	2,692,244	2,692,244
Unspent conditional grants and receipts	8,377,946	8,377,946
	11,070,190	11,070,190

2011

	Financial liabilities at amortised cost	Total
Trade & other payables from exchange	2,696,434	2,696,434
Unspent conditional grants and receipts	4,455,654	4,455,654
	7,152,088	7,152,088

19. Revenue

Interest on arrears	4,242,775	1,845,310
Property rates	2,867,068	2,608,692
Service charges	9,832,604	6,147,404
Government grants & subsidies	50,332,220	44,114,878
	67,274,667	54,716,284

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	9,832,604	6,147,404
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The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	2,867,068	2,608,692
Interest	4,242,775	1,845,310
Transfer revenue		
Government grants & subsidies	50,332,220	44,114,878
	57,442,063	48,568,880

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Figures in Rand	2012	2011
20. Property rates		
Rates received		
Property rates received	2,867,068	2,608,692
Valuations		
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.		
A general rate of 0.005169 cents (2011: 0.004876 cents) is applied to property valuations to determine assessment rates.		
Rates are levied on an annual basis for agricultural properties and monthly for all other properties with the final date for payment being 31 August. Interest is charged at prime plus 1% per annum (2011: prime plus 1%).		
21. Service charges		
Sale of electricity	5,529,336	4,499,869
Refuse removal	1,443,149	1,647,535
Sale of water	1,681,960	-
Sewerage and sanitation charges	1,178,159	-
	9,832,604	6,147,404

The sale of electricity comprises of electricity in terms of monthly meter readings and pre-paid electricity sales.

A revised agreement was signed with the Chris Hani District Municipality whereby from 1 July 2011, all water & sanitation services were transferred back to Sakhisizwe Municipality.

Sakhisizwe Local Municipality

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Figures in Rand	2012	2011
22. Government grants and subsidies: Revenue		
Equitable share	33,088,000	27,217,243
Municipal Improvement Grant (MIG)	7,996,441	7,596,230
MSIG Grant	793,066	1,362,389
Finance Management Grant (FMG)	1,514,789	3,007,701
DME Grant	5,767,963	2,313,653
Other government grants	1,171,961	2,617,662
	50,332,220	44,114,878
Equitable Share		
In terms of the Constitution, equitable share is an unconditional grant from National Treasury. A portion of the grant is used to subsidise the provision of basic services to indigent community members.		
National conditional grants		
Balance unspent at beginning of year	4,036,626	654,528
Current-year receipts	20,071,558	17,506,000
Conditions met - transferred to revenue	(16,417,135)	(14,123,902)
	7,691,049	4,036,626
The funds will remain a liability as long as the conditions are still to be met. (see note 14)		
Other conditional grants		
Balance unspent at beginning of year	419,028	613,308
Current-year receipts	336,652	303,785
Conditions met - transferred to revenue	(68,783)	(498,065)
	686,897	419,028
The funds will remain a liability as long as the conditions are still to be met. (see note 14)		
23. Other income		
Rental income	137,915	90,215
Traffic department income	2,269,263	2,522,873
Sundry income (detailed in note on Sundry Income below)	11,549,344	682,674
	13,956,522	3,295,762
24. Sundry income		
Electricity re-connection fee	34,342	29,780
Commission on collection	31,866	24,357
Building plan & inspection fees	13,289	17,817
Registration data base	3,912	6,404
Other income	596,753	273,634
Rates clearance certificates	5,666	2,856
Site payments	63,147	68,317
Trading licences	9,357	9,753
Defined Benefit Medical Aid actuarial gain	512,963	249,756
Water income	7,024,390	-
Sanitation income	2,811,663	-
Debt relief from Chris Hani	441,996	-
	11,549,344	682,674

Sakhisizwe Local Municipality

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25. General expenses

Advertising	108,134	42,867
Auditors remuneration	2,415,494	1,660,958
Bank charges	138,752	157,977
Consulting and professional fees	276,686	17,544
Consumables	157,401	250,628
Catering & Entertainment	190,399	88,503
Insurance	447,853	271,663
IT expenses	129,812	361,507
Rent: office equipment	53,856	90,486
Mayors fund	61,634	444,532
Promotions and sponsorships	452,143	68,742
Magazines, books and periodicals	-	3,802
Fuel and oil	2,269,539	983,801
Printing and stationery	403,027	338,098
Protective clothing	283,343	59,631
Security services	438,280	332,707
Licence fees	344,686	553,075
Subscriptions and membership fees	236,096	114,663
Telephone, postage and fax	1,232,267	540,160
Training	266,338	94,191
Travel expenses	1,966,595	1,750,286
Electricity purchases	101,041	155,496
Refuse bags	4,600	15,480
Disaster support	-	74,574
Pound expenditure	24,243	15,279
Tools & accessories: non-capital	378,821	108,983
Remuneration Ward Committee	709,000	325,000
Water week expenditure	48,650	-
VIP Suckage	49,880	-
Plant Hire	34,898	-
Council inauguration	170,793	-
Water cartage	64,891	-
Team building	107,542	-
Assets expensed: Water (refundable)	332,638	-
Water purification	438,213	-
Valuation Roll	1,116,968	-
	15,454,513	8,920,633

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26. Employee related costs

Basic	16,355,744	11,633,987
Allowances	-	18,759
Bonus	979,634	676,467
Medical aid - company contributions	1,179,467	693,963
UIF	137,599	96,152
SDL	228,853	173,125
Leave pay provision charge	1,113,605	604,502
Post-employment benefits - Pension - Defined contribution plan	1,660,649	1,298,445
Overtime payments	1,690,101	978,241
Long-service awards	7,999	-
Transitional & other allowances	21,700	23,430
Telephone allowances	9,600	2,400
Contribution Bargaining Council	7,438	5,117
Acting allowances	6,672	3,696
	23,399,061	16,208,284

Remuneration of Municipal Manager

Annual Remuneration	633,863	594,916
Car Allowance	84,000	84,000
Contributions to UIF, Medical and Pension Funds	140,615	136,966
Housing & telephone allowances	81,708	81,708
Subsistence & Other allowances	37,862	46,859
	978,048	944,449

Remuneration of Chief Finance Officer

Annual Remuneration	507,505	509,681
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	143,885	138,437
Subsistence & Other allowances	47,190	65,689
	758,580	773,807

Remuneration of Community Services Manager

Annual Remuneration	283,555	-
Car Allowance	9,277	-
Contributions to UIF, Medical and Pension Funds	749	-
	293,581	-

Remuneration of Corporate Services Manager

Annual Remuneration	573,869	561,391
Car Allowance	108,000	108,000
Contributions to UIF, Medical and Pension Funds	31,935	29,451
Subsistence & Other allowances	22,347	17,975
	736,151	716,817

Remuneration of IPED Manager

Annual Remuneration	601,531	576,310
Car Allowance	108,000	108,000
Contributions to UIF, Medical and Pension Funds	14,623	13,550
Subsistence & Other allowances	37,211	40,002

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Figures in Rand	2012	2011
26. Employee related costs (continued)		
	761,365	737,862
Remuneration of Technical Services Manager		
Annual Remuneration	623,935	555,748
Car Allowance	108,000	108,000
Contributions to UIF, Medical and Pension Funds	9,671	32,332
Subsistence & Other allowances	48,231	17,635
	789,837	713,715
27. Remuneration of councillors		
Remuneration: Executive Major	749,906	528,093
Remuneration: Councillors	2,636,523	1,627,772
Medical, travel & other allowances	1,072,785	630,539
Pension contributions	-	97,739
	4,459,214	2,884,143
28. Debt impairment expenditure		
Debt impairment	2,372,088	3,615,852
Bad debt write off	3,165,304	-
	5,537,392	3,615,852
In the current year, R3 165 304 of the debt impairment was condoned by council and written off as bad debts. No debtors were written off in the previous year.		
29. Investment revenue		
Interest revenue		
Interest received on investment accounts	661,566	835,634
30. Depreciation and amortisation		
Property, plant and equipment	8,914,256	8,105,044
Investment property	189,362	189,362
	9,103,618	8,294,406
31. Impairment of assets		
Impairments		
Property, plant and equipment	202,440	-
The impairment of assets occurred where the condition of an asset was noted during the physical asset count as being significantly less than the carrying value of the asset per the fixed asset register.		
32. Finance costs		
Finance leases	1,245,643	1,063,937
Other interest paid	147,994	115,854
	1,393,637	1,179,791

Sakhisizwe Local Municipality

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Figures in Rand	2012	2011
33. Auditors' remuneration (expenditure)		
Auditor General fees	1,888,814	1,335,711
Internal Audit expenditure	526,680	325,247
	2,415,494	1,660,958
34. Expenditure through Grants and subsidies		
Other subsidies		
Fund: Finance Management Grant (FMG)	1,504,482	3,098,162
Fund: MSIG expenditure	914,475	641,764
Fund: LED	50,163	-
Fund: Repairs & maintenance roads	224,826	1,753,157
Fund: Repairs & maintenance: pounds	5,700	387
Fund: Repairs & maintenance: street lights	15,253	24,476
Fund: Land audit & other	-	281,968
Fund: DEDEA	154,850	477,461
Fund: IDP	162,631	368,847
	3,032,380	6,646,222
35. Bulk purchases		
Electricity	7,090,874	5,113,861
36. Cash generated from operations		
Surplus (deficit)	5,307,553	(3,171,160)
Adjustments for:		
Depreciation and amortisation	9,103,618	8,294,406
Loss on sale of assets	12,743	-
Interest income (cash)	(661,566)	(2,546,571)
Interest income (non-cash)	(4,242,775)	-
Finance costs (cash)	1,245,643	1,179,791
Finance costs (non-cash)	147,994	-
Movements in retirement benefit assets and liabilities	(567,233)	(133,902)
Movements in provisions	211,200	211,200
Non-cashflow journals: 2011	-	(4,132,622)
Impairment of assets	202,440	-
Changes in working capital:		
Trade and other receivables from exchange transactions (reallocated to note 11)	2,487,160	(4,689)
Other receivables from non-exchange transactions	885,753	3,315,078
Trade & other payables from exchange transactions	1,182,620	(341,515)
VAT	1,639,174	(4,559,671)
Unspent conditional grants and receipts	3,922,292	3,187,818
Consumer deposits	30,935	6,430
	20,907,551	1,304,593
37. Commitments		
Authorised capital expenditure		
Already contracted for but not completed		
Property, plant and equipment	12,107,801	-

This committed expenditure relates to Infrastructure and will be financed by National subsidies and retained surpluses.

Sakhisizwe Local Municipality

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38. Contingencies

Workmens Compensation:

2012: The municipality has not yet submitted the required assessments to the Department of Labour relating to Compensation for Occupational Health and Safety for the 2006, 2007, 2008, 2009 and 2010 financial years. The municipality is currently in the process of negotiating payment terms, however it was not possible to quantify the amount owed for the 2006 to 2010 financial years, nor was it possible to quantify the amount that will be due by the municipality for penalties and interest.

2011: A contract was entered into between MTN Cellular Service Provider and Sakhisizwe Municipality whereby the Municipality stands as surety for numerous cellphone contracts for unknown users of the cellphones. The original agreement between the service provider and the municipality was not concluded and signed by an authorised municipal official, neither have the costs been recovered from the users of the cellphones and subsequently in 2011 the municipality was disputing their liability of the claim by the service provider for an outstanding balance of R513 446. The amount owing was paid in the 2012 financial year.

39. Prior period errors

Property, plant and equipment purchased prior to 1 July 2010 was adjusted for assets not located and noted as a prior year error, assets located but not traced to the Fixed Asset Register and assets noted as duplications to the value of R267 143.

Property, plant and equipment was further adjusted with additional depreciation of R3 316 098 due to last year's asset register which was not adding up correctly and additional depreciation of R1 115 612 that resulted from the change in useful lives of roads which was incorrectly determined for additions.

The Housing Fund agency account to the value of R215 019 carried forward from 2010 as a trade payable from non-exchange transactions was written off.

The movement on the impairment on receivables for the periods were incorrectly processed inclusive of VAT to the statement of financial position, resulting in an understatement of the VAT receivable.

Statement of financial position	2011	2010
Property, plant and equipment	(4,164,567)	267,143
Housing Fund	215,019	215,019
VAT receivable	1,907,674	1,401,454
Total prior year adjustments to accumulated surplus	(2,041,874)	1,883,616

Sakhisizwe Local Municipality

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40. Risk management

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 and available borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and this constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but the risk is largely dependent on the political will for execution to control the credit risk

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Short term deposits	11,743,281	9,967,338
Trade and other receivables	9,686,681	8,474,432

41. Going concern

We draw attention to the fact that at 30 June, 2012, the municipality had accumulated surplus of R 125,514,259 and that the municipality's total assets exceed its liabilities by R 125,514,259.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Unauthorised expenditure

Opening balance	4,001,515	13,435,017
Unauthorised expenditure: current year	6,415,945	4,001,515
Expenditure condoned	-	(13,435,017)
	10,417,460	4,001,515

Unauthorised expenditure in 2012 for R6 415 945 (2011: R4 001 515) was due to the overspending on the budget. Included in the current year overspending was additional depreciation of R3 316 098 due to the budgeted depreciation being based on last year's asset register which did not add up correctly and additional depreciation of R1 115 612 that resulted from the change in useful lives of roads.

43. Fruitless and wasteful expenditure

Opening balance	62,284	136,070
Duplicate payment: Eskom	-	39,146
Overpayment of expenditure refunded	(39,146)	(112,932)
Overpayment of expenditure	62,430	-
MTN contract unauthorised	683,724	-
	769,292	62,284

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43. Fruitless and wasteful expenditure (continued)

2012: A contract was entered into between MTN Cellular Service Provider and Sakhisizwe Municipality whereby the municipality stands as surety for numerous cellphone contracts for unknown users of the cellphones. The original agreement between the service provider and the municipality was not concluded and signed by an authorised municipal official, neither have the costs been recovered from the users of the cellphones. The payment to MTN in the current financial year is regarded as fruitless and wasteful expenditure. An amount of R6 000 was overpaid to a supplier due to a casting error on their invoice submitted. An amount of R56 430 was overpaid to the supplier for car hire.

2011: Licencing & service fees totalling R23 138 were incurred in 2010 by the Traffic department on licencing & service fees paid to TCS (Pty)Ltd for the use of a system which is no longer in use by the Traffic department, but for which no notice has been given to the relevant company to cancel the contract. No attempt has been made to recover the fruitless expenditure. No criminal or disciplinary steps were considered necessary in relation to the expenditure. The expense had not been condoned as at 30 June 2012.

2011: An amount of R112 932 was overpaid to Mars Technology during the 2010 financial year where a duplicate payment was made by the municipality. An agreement has been reached whereby Mars Technology will refund the overpayment to the municipality in the 2011 financial year. No criminal or disciplinary steps were considered necessary in relation to the overpayment. The payment was refunded in the 2011 financial year.

2011: A duplicate payment was incorrectly made to Eskom on 26 August 2010 R39 146. The payment was refunded during the 2012 financial year.

44. Irregular expenditure

Opening balance	13,321,328	5,284,247
Add: Irregular Expenditure - current year	8,755,693	13,321,328
Less: Amounts condoned	-	(5,284,247)
	22,077,021	13,321,328

2011: During the 2011 financial year it was noted that under banking to the amount of R 14 807 (2010: R21 713) occurred at the Cala Receipting office. No explanation could be provided and no authorisation was given for the under banking of the cash receipts.

Expenditure to the value of R8 755 693 (2011: R13 306 521) was incurred during the current financial year, for which the minimum required documentation was not available in order to comply with the required procurement procedures. As a result, the expenditure is considered irregular and it will be investigated further.

45. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

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Net surplus (deficit) per the statement of financial performance	6,607,397	(2,561,768)
Adjusted for:		
Rental of facilities & equipment: Incorrect allocation of actual vs budget income accounts	-	917,485
Rental of facilities and equipment: over budgeted expected rental income of plant	873,452	-
Interest earned: outstanding debtors: Inclusion of water & sewerage function	(2,112,775)	-
Fines: appointment of traffic officers resulted in increase in collection of fines	(24,286)	-
Subsidy received from Chris Hani not budgeted for: Inclusion of water & sanitation function	(5,460,705)	-
Other income: expected income from water & sanitation function budgeted for as agency income but function transferred	17,216,560	-
Bad debts: inclusion of water & sanitation function	9,252	-
Depreciation: under budgeted (refer note 40)	3,064,530	3,505,460
Interest on outstanding debtors: Budgeted for cash receipts only	-	(1,765,310)
Income from agency services: actual income allocated to subsidies received	-	485,000
Repairs & maintenance: more/(less) planned repairs carried out	(2,455,516)	3,834,998
Interest paid: additional interest on plant purchased	-	337,311
Contracted services: overspending	119,280	71,865
Revenue over budgeted for	5,638,497	9,009,207
Revenue for debt relief Chris Hani not budgeted for	441,996	-
Expenditure (under)/ over budgeted	(7,504,121)	(242,659)
Net surplus per approved budget	16,413,561	13,591,589

46. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Under banking of current Cala Municipal Office Cashier: R nil (2011: R14 807)

Under banking of Elliot Traffic Department Cashiers: R nil (2011: R90 689 (2010: R161 729) (Total balance: R252 418)

(refer to details in note on irregular expenditure above)

Audit fees (Liability)

Current year subscription / fee	2,415,494	2,069,616
Amount paid - current year	(2,415,494)	(2,069,616)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June, 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
SP Ntakana	3,346	393	3,739
TT Doda	646	18,404	19,050
	3,992	18,797	22,789

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June, 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
SP Ntakana	1,416	1,179	2,595
TT Doda	591	15,721	16,312
	2,007	16,900	18,907

47. Water & electricity losses

Water losses: At the time of the submission of the financial statements, the municipality was unable to determine water losses as no bulk meters were in place. The installation of bulk water meters is in its planning stage.

Electricity losses: At the time of the submission of the financial statements, the municipality was unable to determine electricity losses as no bulk meters were in place. The installation of bulk electricity meters is in its planning stage.

48. Transfer of water & sanitation function

Water & Sanitation

A revised agreement was signed with the Chris Hani District Municipality whereby from 1 July 2011, all water & sanitation services were transferred back to Sakhisizwe Municipality. All assets for water and sanitation were transferred at their fair value on 1 July 2011, which was considered to be R nil based on the payment history and expected recoverability of the debt. No consideration was received for the transfer of the function. (refer to note 11 and 24)

Fair value of assets acquired and liabilities assumed

Trade receivables from exchange transactions	-	-
Investment property	19,776,073	-
Property, plant and equipment	10,606,703	-
Provision for debt impairment	-	-
Water	(19,776,073)	-
Sewerage	(10,606,703)	-
Total identifiable net assets	-	-
Relief of debt	441,996	-
	441,996	-

Sakhisizwe Local Municipality

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Detailed Income statement

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	20	2,867,068	2,608,692
Service Charges	219,832,604	6147,404	
Government grants and subsidies received ²²		50,332,220	44,114,878
Rental income ^{137,915}		90,215	
Motor vehicles licenses & permits ^{2,269,263}		2,522,873	
Sundry income ²⁴		11,549,344	682,674
Interest received – arrears ^{4,242,7}		1,845,310	
Interest received – investment ²⁹		661,566	835,634
Total Revenue		81,892,755	58,847,680
Expenditure			
Employee related costs ²⁶		(27,716,623)	(20,094,934)
Remuneration of councillors ²⁷		(4,459,214)	(2,884,143)
Depreciation and amortisation ³⁰		(9,103,618)	(8,294,406)
Impairment loss: Chris Hani Agency account ³¹		(202,440)	
Finance costs ³²		(1,393,637)	(1,179,791)
Debt impairment ²⁸			(5,537,392)
Repairs and maintenance			(2,581,768)
			(5,268,998)
Bulk purchases ³⁵		(7,090,874)	(5,113,861)
Expenditure through grants & subsidies ³⁴		(3,032,380)	(6,646,222)
General Expenses ²⁵		(15,454,513)	(8,920,633)
Total Expenditure		(76,572,459)	(62,018,840)
Loss on sale of assets ^(12,743)		-	-
Surplus (deficit) for the year		5,307,553	(3,171,160)

Chapter 6

Auditor General Audit Findings

6.1 Auditor General Report (2010 – 2011)

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Sakhisizwe Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 168 to 226.

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 CRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 20'1 O (Act No. 1 of 20'10) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section '188 of the Constitution of the Republic of South Africa, '1996 (Act No. "108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 75 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In malting those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion Irregular expenditure

7. Section '125(2) of the MFMA requires the financial statements of the municipality to disclose material irregular expenditure that occurred during the financial year. Audited payments amounting to R5,4 million were irregular as they were made in contravention of the supply chain management (SCM) requirements. These amounts were not included in the irregular expenditure disclosed in note 43 to the financial statements. Consequently, the irregular expenditure disclosed is understated by at least this amount. However, it was not practicable to determine the full extent of the understatement as there was no system of control to identify all irregular expenditure incurred.

Commitments

8. The municipality is required by GRAP 17 Property, Plant and Equipment to disclose in the financial statements the amount of contractual commitments for the acquisition of property, plant and equipment at the financial year-end. The municipality did not have a contract management system for the identification and recognition of contracts and consequently did not disclose any commitments. I was unable to confirm or verify by alternative means the contractual commitments for the acquisition of property, plant and equipment and, as a result, I was unable to determine the commitments to be disclosed in the financial statements

Leave accrual

9. The entity could not provide sufficient appropriate audit evidence to support employee leave accrual balances. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all leave amounting to R914 486 had been properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation and completeness of the leave accrual amounting to R1,5 million, as reported in note 14 to the financial statements.

Qualified opinion

10. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Sakhisizwe Local Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of CRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Unauthorised expenditure

12. As reported in note 41 to the financial statements, the municipality incurred unauthorised expenditure amounting to R4 million, which was as a result of exceeding the total amount of the budget for the year.

Irregular expenditure

13. As reported in note 43 to the financial statements, the municipality incurred irregular expenditure amounting to R19,5 million, as the expenditure incurred was in contravention of the SCM process.

Fruitless and wasteful expenditure

14. As reported in note 42 to the financial statements, the municipality incurred fruitless and wasteful expenditure amounting to R39 146, due to duplicate payments to creditors.

Material impairments

15. As reported in note 9 to the financial statements, the municipality had material impairments totalling R2,25 million related to receivables not considered recoverable.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives Presentation of information

17. The following criterion is relevant to the findings below: Performance against predetermined objectives is reported using the National Treasury guidelines.
18. Audit findings Adequate explanations for major variances between the planned and actual reported targets for the following development priorities were not provided, as required in terms of the relevant reporting guidance. In total, 100% of the reported targets with major variances were not explained. Local economic development Service delivery Municipal transformation and institutional development Financial management and viability Good governance and public participation In terms of the relevant reporting guidance, when performance is not met, the measures to be taken to improve this performance must be disclosed in the annual performance report. In total, 100% of the reported targets, where planned performance was not met, did not include adequate disclosure of the measures to improve this performance.

Usefulness of information

19. The following criteria are relevant to the findings below:
 - Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets.
 - Measurability: indicators are well defined and verifiable, and targets are specific, measurable and time bound.

20 Audit findings

- The indicator and targets as per the integrated development plan did not relate directly in more than 24% of instances to the institution's strategic goals and objectives as per the annual strategic development budget implementation plan.
- The indicator and targets as per the annual performance report did not relate directly in more than 57% of instances to the institution's strategic goals and objectives as per the annual strategic development budget implementation plan
- A total of 49% of the planned and reported indicators were not well defined, as unambiguous data definitions were not available to allow for data to be collected consistently.
- Valid performance management processes and systems that produce actual performance against the planned indicators did not exist for 57% of the indicators.
- A total of 46% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance by the municipality.
- A total of 89% of the planned and reported targets were not measurable in identifying the required performance by the municipality. A total of 86% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

Reliability of Information

21. The following criteria are relevant to the findings below=

- **Validity:** Actual reported performance has occurred and pertains to the entity.
- **Accuracy:** Amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately.
- **Completeness:** All actual results and events that should have been recorded have been included in the annual performance report.

22. Audit findings

- Sufficient appropriate evidence in rotation to the selected objectives for usefulness could not be obtained from the municipality. There were no satisfactory audit procedures that I could perform to obtain the required assurance as
- to the validity, accuracy and completeness of the reported performance against predetermined objectives.

Compliance with laws and regulations

Strategic planning and performance management

23. The municipality did not implement a framework that described and represented how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement would be conducted, organised and managed, including determining the roles of the different role players, as required by sections 38, 39, 40 and 41 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) read with Municipal Planning and Performance Management (MPPM) Regulations 7, 8 and 9.

24. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(9)(a)(ii) of the MFMA.

Budgets

25. The mayor did not submit all quarterly reports to the council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
26. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance report and annual report

27. 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 in current assets, liabilities, revenue and expenditure identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.
28. The accounting officer did not make the 2009-10 annual report public immediately after the annual report was tabled in the council, as required by section 927(5) of the MFMA.
29. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-10 annual report was tabled in the council, as required by section 129(1) of the MFMA.

Audit committee

30. The audit committee functioning as the performance audit committee did not perform the following as required by MPPM Regulation 14:
- Review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality.
 - Review the municipality's performance management system and make recommendations in this regard to the council of the municipality.
 - Submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Procurement and contract management

31. Goods and services with a transaction value of between R1 0 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirements of SCM Regulation 17(a) and (c).
32. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM Regulations 19(a) and 36(9).

33. Awards were made to providers whose tax matters had not been declared to be in order by the South African Revenue Services, as required by SCM Regulation 43.
34. Awards were made to suppliers that did not submit a declaration on their employment by the state or their relationship to a person employed by the state, as per the requirements of SCM Regulation 13(c)
35. The preference point system was not applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and SCM Regulation 28(1)(a).
36. Awards were made to suppliers based on preference points that had not been allocated or calculated in accordance with the requirements of the PPPFA and its regulations.
37. Awards were made to suppliers that did not score the highest points in the evaluation process, contrary to the requirements of section 2(1)(f) of the PPPFA.
38. The performance of contractors and providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
39. The contract performance measures and the methods whereby they are monitored were insufficient to ensure effective contract management, as per the requirements of section 116(2)(c) of the MFMA.
40. Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with the prescripts of the clause.
41. Awards were made to providers whose directors or principal shareholders are persons in the service of other state institutions, in contravention of the requirements of SCM Regulation 44.

Expenditure management

42. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, contrary to section 65(2)(e) of the MFMA.
43. The accounting officer did not take reasonable steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

INTERNAL CONTROL

44. In accordance with the F-/kA, and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

45. There was a lack of oversight and accountability by senior management, as sufficient monitoring controls were not in place to ensure the proper implementation of approved internal policies and procedures at an operational level. Thus, the necessary awareness required to enable the taking of appropriate corrective actions where actual processes were not aligned to the approved processes either through intentional or other circumvention was not evident.

46. As a result, the municipality did not prevent and detect irregular expenditure incurred through non-adherence to the SCM prescripts. In addition, the documented policy and procedure manuals for reporting on predetermined objectives were not implemented. Consequently, the reporting on predetermined objectives was not useful and verifiable.
47. However, following the successful implementation of the audit action plan, the leadership was able to adequately address a number of qualifications previously reported relating to balances, disclosures and classes of transaction reported in the financial statements. A similar approach for the current year will ensure an improved outcome.

Financial and performance management

48. The municipality did not have adequate systems for the complete and accurate financial reporting of commitments, irregular expenditure and the leave accrual balance. This is as a result of inadequate in-year monitoring of expense transactions to ensure that SCM requirements were fully adhered to_ Attendance registers were not always completed and the leave system was not kept up to date, resulting in the need to rely on manual leave records. No commitments register was maintained and thus the municipality was not able to report a balance for the year under review.
49. In addition to the system weaknesses relating to the accounting for leave, irregular expenditure (SCM) and reporting on predetermined objectives above, not all documentation requested was provided for audit purposes, indicating poor record keeping.
50. The municipality did not adequately assign responsibility and implement processes to monitor compliance with the approved budget and ensure compliance with all applicable laws and regulations. The municipality thus incurred unauthorised expenditure and did not fully comply with all the requirements of the MFMA, the MSA, MPPM Regulations, the PPPFA and SCM Regulations.

Governance

51. Despite an adequate risk assessment process, the municipality did not respond to and adequately monitor the risks identified. As a result, there were numerous instances of noncompliance with the MFMA, the MSA, the PPPFA as well as SCM and MPPM Regulations.
52. The performance audit committee and the internal audit function did not have the necessary capacity to review or report on the performance management system or performance reports during the year under review. The municipality thus lost the benefit that may have been obtained had these reports been completed.

Auditor-General

East London
30 November 2011

6.2 Response to Auditor-General's Report (2010 – 2011)

SAKHISIZWE MUNICIPALITY: RESPONSE TO THE AUDITOR-GENERAL'S REPORT 2010-2011

Purpose

The Public Audit Act No. 25 of 2004 and s121 (3)(g) of the Municipal Finance Management Act, Act No. 56 of 2003, require that the particulars of any corrective action taken or to be taken in response to issues raised within the audit report, be included in the annual report of the municipality.

The purpose of this report is to respond to the Auditor-General's Report on the consolidated financial statements for the year ending 30 June 2011. Detail will be provided on the manner in which the issues raised will be addressed and this in turn will lead to the development of an Audit Action Plan which will address the issues raised in a coordinated and focussed manner.

Background

During the 2009-2010 financial year, Sakhisizwe Municipality was awarded an adverse audit opinion. Based on this adverse opinion, a summary of the areas to be addressed is provided as follows:

- Investment properties and all inventory attached to these was required to be addressed through the update and review of the Property
- Valuation Roll; facilitating the settlements of outstanding debts and meeting with the Department of Housing in order to discuss the way forward;
- All detail regarding municipal property, plant and equipment was required to be updated, verified and maintained and all required recording and reporting thereon was to be coordinated as required (e.g. correct classifications of PPE expenditure and equipment, depreciation and the like);
- Revenue was to be increased by taking the necessary action to charge consumers the correct interest and to ensure that all deposits were charged and received for all new services. Meter readings were to be performed more accurately;
- VAT Receivable was to be managed effectively and all outstanding refunds were to be received and the VAT registration was to be amended with SARS from the invoice to the cash basis;
- All expenditure was to be strictly applied according to Supply Chain Management processes and procedures;
- Strict adherence was to occur in terms of all required reporting and record maintenance issues (especially in respect of employee costs);
- Staff were to be capacitated on all policies and procedures in order to ensure compliance;
- Performance management was to be effectively applied. More specifically:
 - Targets were to be formulated according to the SMART principle (ie. formulated so as to be specific, measurable, achievable, realistic and timebound);
 - Consistent and accurate measurement and recording was required;

- Risk management procedures were to be developed and implemented; and
- The internal audit and audit committee would be created and trained.

It is noted that while many of these issue have been addressed and progress has occurred many issues requiring attention still remain. Having received a qualified audit report for 2010-2011, the following issues are to be addressed moving forward. The manner in which this is to occur will be detailed within the main body of this report and more specifically within the Audit Action Plan for 2010-2011.

The following areas will receive focus:

- Irregular and unauthorised expenditure disclosure and prevention;
- Disclosure of contractual commitments for the acquisition of property, plant and equipment of the financial year end;
- Leave is to be audited;
- Fruitless and wasteful expenditure is to be minimized;
- Material impairments are to be minimised;
- Performance targets are to be met while explaining variances within all developmental priorities;
- There is to be alignment between the IDP, SDBIP and Budget;
- Performance reporting is to occur as per stipulated timeframes and in accordance with required procedures;
- Effective Audit Committee functioning is required;
- Supply Chain Management processes and practices are to be strictly applied for all procurements and expenditure conducted; and
- Oversight accountability in respect of leadership is required.

AREAS TO BE ADDRESSED (2010-2011 AUDIT REPORT)

As per the Auditor-General's report for the audited financial statement for the year ending 31 June 2011, the response is detailed below. This response makes specific reference to the numbering that appears within the Auditor-General's Report itself and it is therefore imperative that these reports are read together.

Sakhisizwe Municipality was awarded a qualified audit opinion with emphasis of matter. The matters raised and the resultant action to be taken is reflected as follows:

BASIS FOR QUALIFIED OPINION

Irregular Expenditure

7. Controls are to be established in order to identify all irregular expenditure incurred. Irregular expenditure is to be disclosed, but avoided at all costs. There is to be no contravention of the Supply Chain Management policy.

Commitments

8. The municipality is to develop a contract management system so that contracts can be managed effectively and disclosed (as per GRAP 17) for the acquisition of property, plant and equipment at the financial year end.

Leave Accrual

9. Leave records are to be audited annually, updated monthly and a Leave Policy approved and implemented in order to ensure that leave records are appropriately maintained.

EMPHASIS OF MATTERS

Unauthorised Expenditure

12. All matters of expenditure are required to be approved and authorised prior to any payment as per the Supply Chain Management policy and the approved Budget. No overspending is to be permitted on the approved budget. Monthly budget reconciliations are to be effected.

Irregular Expenditure

13. In order to prevent a reoccurrence of irregular expenditure, all aspects of Supply Chain Management and procurement policies and procedures are required to be strictly adhered to. All related expenditure documentation is to be strictly controlled and recorded as per procurement procedures. Monthly budget reconciliations are to be conducted.

Fruitless and Wasteful Expenditure

14. All duplicate expenditure is to be recovered where this has occurred. Reconciliations are required to be made monthly and payments recorded accurately (offset against monies due) in order to prevent overpayments or duplicate payments from occurring. The contract with TCS (Pty) Ltd is to be cancelled in order to prevent the unnecessary payment of licencing and service fees.

Material Impairments

15. In an effort to reduce and minimize material impairments, reconciliations are required to be performed regularly and exception reports are to be drawn regularly (at agreed intervals) in order to verify information captured throughout. Financial system reports are to be checked regularly for correctness and accuracy of data (SEBATA). Corrections are to be made immediately. Where discrepancies are noted, the root cause is to be examined and appropriate action taken/systems put in place to prevent this from happening in future instances.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Predetermined objectives

Presentation of information

18. Audit Findings

- Where major variances occur between planned and actual performance adequate explanations are to be provided (as per reporting guidelines). This is required to occur against all the national indicators.
- In all instances where required performance targets were not met, these will be reported on /disclosed in the annual performance report, detailing the manner in which improvements would occur.

Usefulness of information

20. Audit Findings

When developing performance targets within the IDP, SDBIP or other documents, it must be noted that:

- All indicators and performance targets will be aligned to the organizations strategic goals and objectives, i.e. aligned between IDP, SDBIP and Budget;
- Performance targets will be written in an unambiguous manner and all aspects of the SMART principle will be met, i.e. these will be written in a manner that is:
 - Simple
 - Measurable
 - Achievable
 - Realistic
 - Timebound
- Controls and measurement systems are to be developed for all performance targets being measured

Reliability of Information

22. Audit Findings

Audit procedures are to be instituted in order to ensure the validity, accuracy and completeness of reported performance against predetermined objectives.

COMPLIANCE WITH LAWS AND REGULATIONS

Strategic Planning and Performance Management

23. This statement is disputed. As per 2009/2010 the PM Framework was adopted and applied to all 57 managers as per Regulations 7 and 8 of the Municipal Planning and Performance Management regulations, 2001. This Framework set out the manner of functioning all processes and procedures and the role of different roleplayers.
24. The Accounting Officer will in future ensure that all required timeframes for the performance management report for the first half of the year are met i.e. s72(1)(a)(ii) of the MFMA.

Budgets

25. Quarterly reports are to be submitted by the Mayor regarding the implementation of the Budget within 30 days after the end of each quarter (as per s52(d) of the MFMA). All required reporting standards are required to be adhered to.
26. No expenditure above budget limits may be authorised and incurred in contravention of s15 of the MFMA, and all staff are to sign acknowledgement of this.

Annual Financial Statements, Performance Report and Annual Report

27. All financial statements that are submitted for auditing are to be prepared as per the requirements of s122 of the MFMA. Material misstatements are to be avoided / minimized.

28. The accounting officer will strictly adhere to the requirement that the annual report is made public immediately after the annual report is tabled in Council (as per s 127(5) of the MFMA).
29. The Oversight Report will be completed timeously and submitted and approved by Council within 2 months after this annual report is tabled in Council as per s129(1) of the MFMA.

Audit Committee

30. Auditing of performance by the Performance Audit Committee will require that:
 - Quarterly reports of the internal auditors on their audits of the performance measurements of the municipality must be
 - reviewed;
 - The Committee review the PMS system currently in use and make appropriate recommendations to Council;
 - The Committee must submit at least 2 auditors' reports to council regarding the performance management system
 - functioning within the municipality.

Procurement and Contract Management

Procurement Compliance with Policy and Procedure requires that:

31. Goods and services of a transaction value of between R10 000 and R200 000 are procured without obtaining written price quotations from at least three different prospective providers as per Supply Chain Management Regulation 17(a) and (c).
32. Goods and services at a transaction value above R200 000 are procured without inviting competitive bids (Supply Chain Management Regulations 19 (a) and 36 (b)).
33. Awards are only made to companies whose tax matters are declared to be in order by SARS (Supply Chain Management Regulation 43).
34. Awards are only made to suppliers who submit a declaration on their employment by the state, or their relationship with a person employed by the state as per Supply Chain Management Regulation 13(c).
35. The Preference Point System is to be applied in the procurements of all goods and services above R30 000 as per s2(a) of the Preferential Procurement Policy Framework Act, Act No. 5 of 2000 and Supply Chain Management Regulation No. 5 of 2000 and Supply Chain Management Regulation 28 (1)(a).
36. Awards to suppliers must be based on preference points allocated/calculated as per PPFPA and its regulation;
37. Awards may only be made to suppliers who did not score the highest points in the evaluation, where this is totally justified;
38. The performance of contractors and suppliers is strictly monitored monthly and appropriate action taken;

39. The contract and methods of monitoring are to be developed and implemented to ensure effective contract management.
40. Construction contracts may only be awarded to contractors who are registered with the Construction Industries Development Board (CIDB) as per CIDB. Reference checks are to be conducted to ensure this prior to any award.
41. No awards are to be made to any provider whose directors or principle shareholders are persons in the service of state institutions.

Expenditure Management

42. All money owing by the municipality must be paid within 30 days of receipt of an invoice/statement. Monthly reconciliations are to be conducted so as to ensure that this occurs.
43. Unauthorised, irregular and fruitless and wasteful expenditure is to be avoided by training all relevant staff on the manner in which procurement and expenditure is to take place. Strict adherence to these rules and the policy will be encouraged ongoing.

INTERNAL CONTROL

Leadership

45. Greater oversight and accountability by senior management is required. This will be facilitated by the establishment of controls and monitoring mechanisms and regular reporting (monthly) on performance progress. Areas of oversight are to be incorporated into their performance scorecards.

All internal policies and procedures are to be workshopped to identified staff and control mechanisms developed to ensure that these are implemented as required. This in turn facilitates appropriate corrective action being taken.

46. Complete adherence to Supply Chain Management prescripts is required and staff are to be trained on the policy and procedure in respect of this. Strict adherence to policy and procedure will prevent irregular expenditure.
47. An Audit Action Plan is to be developed and implemented in order to successfully address the issues raised.

Financial and Performance Management

48. Monthly expenditure reports are to be compiled and reported on in an agreed format in order to ensure that reporting occurs on irregular expenditure, leave balances and financial reporting of commitments.
In an effort to maintain leave records up to date, staff are trained regarding leave policy and management. A designated person would be required to be appointed in order to manage leave. The commitments register is required to be maintained and completion of attendance registers will be strictly monitored, and leave balances updated weekly.
49. Record keeping standards and procedures are to be developed. Staff are to be workshopped on application and implementation monitored.

50. Regular financial reporting is to be conducted in order to ensure that strict controls are applied regarding expenditure and to ensure that no over-expenditure occurs. Financial policies and procedures are to be developed and implemented in order to ensure compliance with MFMA, MSA, MPPM Regulations, the PPPFA and SCM.

Governance

51. A Risk Management Plan is to be developed and implemented to ensure that risks are minimized. Regular (monthly) reporting is to be conducted.
52. The Performance Audit Committee and the Internal Audit are to review and report on the Performance Management System and on Performance Reports for the year, while meeting all required timeframes.

6.3 Auditor General's Report (2011 – 2012)

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Sakhisizwe Local Municipality, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Irregular expenditure

6. Section 125(2) of the MFMA requires the financial statements of the municipality to disclose material irregular expenditure that occurred during the financial year. Audited payments amounting to R16,1 million (2011: R5,4 million) were irregular, as they were made in contravention of the supply chain management (SCM) requirements. These amounts were not included in the irregular expenditure disclosed in note 44 to the financial statements. Consequently, the irregular expenditure disclosed is understated by at least this amount. However, it was not practicable to determine the full extent of the understatement, as there

was no system of control to identify the completeness thereof.

Comparative amounts

7. During the 2010-11 financial year, I was unable to obtain sufficient appropriate audit evidence concerning the value of commitments to be disclosed in note 37 to the financial statements. I was unable to obtain sufficient appropriate audit evidence for the above by alternative means. Consequently, I was unable to determine whether any adjustments to these amounts were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Qualified opinion

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Sakhisizwe Local Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

10. As disclosed in note 39 to the financial statements, the corresponding figures for the year ended 30 June 2011 have been restated as a result of errors discovered during the current financial year in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Unauthorised expenditure

11. As disclosed in note 42 to the financial statements, the municipality incurred unauthorised expenditure of R10,4 million, as a result of expenditure incurred in excess of the total approved budget.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

13. The supplementary information set out on page ... does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. 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

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
17. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
18. The material findings are as follows:

Usefulness of information

Consistency

19. Section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan (IDP) to form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 101 reported objectives in the annual report were not consistent with the 16 objectives as per the approved IDP. This was due to the absence of a performance management system.

Measurability

20. 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 80% of the indicators 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 fact that management was not aware of the requirements of the FMPPI.
21. The FMPPI requires that the time period or deadline for delivery be specified. All targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was not aware of the requirements of the FMPPI.
22. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. All targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was not aware of the requirements of the FMPPI.

Relevance

23. The FMPPI requires that the indicator should relate logically and directly to an aspect of the institution's mandate or the realisation of strategic goals and objectives. A total of 48% of the indicators did not relate logically and directly to an aspect of the institution's mandate or realisation of strategic goals and objectives as per the five-year IDP. This was due to proper performance planning and management practices not having been developed and implemented to provide for the development of performance indicators and targets included in the IDP.

Reliability of selected objectives in the annual performance report

Validity and accuracy

24. The FMPPPI requires that processes and systems that produce the indicator should be verifiable and accurate enough for its intended use and respond to changes in the level of performance. A total of 69% of the actual reported indicators were not valid and accurate when compared to source information or evidence provided. This was due to a lack of standard operating procedures for the recording of actual achievements by senior management.

Completeness

25. The FMPPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. A total of 71% of the actual reported performance for the selected objectives was not completely recorded. This was due to an improper document management system with regard to actual performance achievements.

Additional matter

26. 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

27. Of the total number of planned targets, only 130 were achieved during the year under review. This means that 41% of the total planned targets were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

28. 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

29. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by sections 38, 39, 40 and 41 of the MSA and the principles specified in the FMPPPI.
30. The accounting officer of the municipality did not by 25 January submit the mid-year budget and performance assessment report to the mayor, the National Treasury or the relevant provincial treasury, as required by section 72(1)(b) of the MFMA.

Budgets

31. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.
32. The accounting officer did not submit the budget within 10 days of the end of each month to

the mayor and the relevant provincial treasury, as prescribed by section 71(1) of the MFMA.

Annual financial statements, performance report and annual report

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA, as material misstatements of assets, liabilities, revenue, expenditure and disclosures were identified by the auditors and subsequently corrected. However, the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.
34. The accounting officer did not make the 2010-11 annual report public immediately after it had been tabled in the council, as required by section 127(5) of the MFMA.
35. The accounting officer did not make the oversight report public within seven days of its adoption by the council, as required by section 129(3) of the MFMA.

Audit committee

36. The audit committee functioning as the performance audit committee did not advise the council and management staff of the municipality on performance evaluation, as specified by section 166(2)(a) of the MFMA.

Internal audit

37. The municipality's internal audit function did not submit quarterly reports on its audits of performance measurement to the municipal manager and the performance audit committee, as stipulated by Municipal Planning and Performance Management Regulation 14(1)(c).

Procurement and contract management

38. Sufficient appropriate audit evidence could not be obtained that certain goods and services with a transaction value below R200 000 were procured by means of obtaining the required price quotations, as required by SCM Regulation 17(a) and (c).
39. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(b).
40. Certain goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).
41. Bid specifications for the procurement of goods and services through competitive bids were drafted in a biased manner that did not allow all potential suppliers to offer their goods or services, in contravention of SCM Regulation 27(2)(a).
42. Bid specifications were not always drafted by bid specification committees composed of one or more officials of the municipality, as required by SCM Regulation 27(3).
43. Invitations for competitive bidding were not always advertised for the required minimum period, as required by SCM Regulation 22(1) and (2).
44. Sufficient appropriate audit evidence could not be obtained that bids had been evaluated by bid evaluation committees composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM

Regulation 28(2).

45. Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
46. Bid adjudication was not always done by committees composed in accordance with SCM Regulation 29(2).
47. Awards were 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).
48. Sufficient appropriate audit evidence could not be obtained that councillors of the municipality did not participate in committees evaluating or approving tenders or quotations or attended meetings of committees evaluating or approving tenders or quotations, in contravention of section 117 of the MFMA.
49. The preference point system was not applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA) and SCM Regulation 28(1)(a).
50. Contracts and quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the PPPFA and its regulations.
51. Contracts and quotation were awarded to bidders that did not score the highest points in the evaluation process, contrary to section 2(1)(f) of the PPPFA.
52. Contracts were extended without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
53. Contracts were extended or modified without the approval of a properly delegated official, as required by SCM Regulation 5.
54. The performance of contractors and providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
55. Contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
56. Construction contracts were awarded to contractors who were not registered with the Construction Industry Development Board (CIDB) and/or did not qualify for the contract, contrary to section 18(1) of the Construction Industry Development Board Act of South Africa, 2000 (Act No. 38 of 2000) (CIDB Act) and CIDB Regulations 17 and 25(7A).
57. Construction projects were not always registered with the CIDB, as required by section 22 of the CIDB Act and CIDB Regulation 18.
58. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.
59. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

60. Awards were made to providers who 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).
61. The accounting officer failed to implement measures to combat the abuse of the SCM system as per the requirements of SCM Regulation 38(1), as awards were made to providers without verifying whether the supplier:
- during the last five years, failed to perform satisfactorily on a previous contract with the municipality or municipal entity or other organ of state
 - committed a corrupt or fraudulent act in competing for the contract
 - abused the SCM system of the municipality
 - had been convicted of fraud or corruption during the past five years.
62. Allegations of improper conduct and/or failure to comply with the SCM system laid against officials were not investigated, as required by SCM Regulation 38(1)(b).
63. Appropriate action was not taken against officials where investigations proved improper conduct and/or failure to comply with the SCM system, as required by SCM Regulation 38(1)(b).

Expenditure management

64. The accounting officer did not take reasonable steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
65. Unauthorised, irregular as well as fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.
66. The accounting officer did not inform the mayor or the member of the executive council for local government of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality, whether any person is responsible or under investigation for such expenditure, as well as the steps taken to recover or rectify such expenditure and to prevent a recurrence of such expenditure, as stipulated by section 32(4) of the MFMA.
67. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as specified by section 65(2)(a) to (d) of the MFMA.
68. The accounting officer did not ensure that payments were made within 30 days of receiving the relevant invoice or statement, as specified by section 65(2)(e) of the MFMA.

Conditional grants

69. The municipality did not submit quarterly performance reports to the provincial treasury and the National Treasury within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
70. The municipality did not evaluate its performance in respect of programmes funded by the allocation or submit the evaluation to the transferring national officer within two months after the financial year-end, as required by section 12(6) of DoRA.

71. The municipality did not timeously submit project registration forms for projects it intended to implement in the financial year under review to the Department of Local Government, as required by the DoRA Framework issued in Gazette No. 34280.
72. The municipality did not submit project implementation plans to the national Department of Cooperative Governance and Traditional Affairs (CoGTA), as required by the Division of Revenue Grant Framework issued in Gazette No. 34280.
73. The municipality did not register its master plans for bulk infrastructure with the integrated national electrification programme, as required by the Division of Revenue Grant Framework issued in Gazette No. 34280.
74. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework issued in Gazette No. 34280.
75. The municipality did not submit its signed activity plan to CoGTA, or did not submit it in the prescribed format, contrary to the Division of Revenue Grant Framework issued in Gazette No. 34280.
76. The municipality did not submit its monthly expenditure reports to CoGTA within 20 days after the end of each month, as required by the Division of Revenue Grant Framework issued in Gazette No. 34280.

Internal control

77. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives 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 qualified opinion, the findings on the report of predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

78. There was a lack of oversight and accountability by senior management as sufficient monitoring controls were not in place to ensure the proper implementation of internal policies at an operational level. As a result the municipality did not prevent and detect irregular expenditure incurred through non adherence to supply chain prescripts.
79. The municipality has not developed, documented and approved internal policies and procedures to address the collection, recording, processing, monitoring and reporting on predetermined objectives. Consequently the annual performance report was not useful or reliable.

Financial and performance management

80. The municipality did not have a proper system of record management that provides for the maintenance of information that supports the reported information contained in the annual performance report. This includes information which relates to the collection, collation, verification, storing and reporting of actual performance information. As a result the annual performance report was not useful or reliable.
81. The municipality did not have adequate systems for the complete and accurate financial reporting of irregular expenditure, commitments and depreciation. This is as a result of inadequate in-year monitoring of expense transactions to ensure that SCM requirements were fully adhered to. Whilst for commitments and depreciation the commitments register was not maintained throughout the year and asset useful lives incorrectly assessed with the result that

both had to be corrected during the audit.

82. The municipality did not adequately assign responsibility and implement processes to monitor compliance with the approved budget and ensure compliance with all applicable laws and regulations. The municipality thus incurred unauthorised expenditure and did not fully comply with all the requirements of the MFMA, MSA and SCM Regulations.

Governance

83. The municipality did not conduct a risk assessment as required by the MFMA. Consequently, there was failure to monitor compliance with the MFMA, MSA and SCM regulations. In addition, non compliance with the GRAP reporting framework requirements was noted.
84. The performance audit committee and the internal audit function did not have the necessary capacity to review or report on the performance management system or performance reports during the year under review. The municipality thus lost the benefit that may have been obtained had these reports been completed

Auditor General.

East London

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

6.4 Municipal Response to Auditor-General's Report (2011 – 2012)

6.5 CFO's Sign-off on Section 71 Reports

All S71 reports during the Financial Year were signed off by the CFO and submitted to National Treasury. These reports were:

Appendices

Appendix A: Councillors; Committee Allocation and Council Attendance

Municipal Council

Name	Ward	Party	Portfolio
Mayor Mr Jentile	PR	ANC	Portfolio: Finance, Admin
Chief Whip: Cllr: M Mxhonywa	PR	ANC	Portfolio: Infrastructure
Speaker: Cllr N Mananga	PR	ANC	Portfolio: Council Speaker
Cllr: S Ntakana	1		Portfolio: Finance, Admin
Cllr N Stofile	PR	ANC	Portfolio: Social Needs
Cllr T Doda	2	ANC	Portfolio: Finance, Admin
Cllr: T Hoza	3	ANC	Portfolio: Social Needs
Cllr: N Ponoshe – Razilane	3	ANC	Portfolio: Social Needs
Cllr Z Mose	5	ANC	Portfolio: Infrastructure
Cllr T Jam-Jam	6	ANC	Portfolio: Social Needs
Cllr: S Suka	PR	ANC	Portfolio: Finance, Admin
Cllr: M Mahlombe	7	ANC	Portfolio: Finance, Admin
Cllr: F Ngondo	8	ANC	Portfolio: Infrastructure
Cllr: M M Tshona	9	ANC	Portfolio: Infrastructure
Cllr: Z Dyonase	PR	ANC	Portfolio: Infrastructure
Cllr: M J Andrews	PR	DA	Portfolio: Finance, Admin
Cllr: S Bavuma	PR	COPE	Portfolio: Social Needs

Appendix B: Committee and Committee

Executive Councillors (2011 – 2016)



M.S Jentile
Honourable Mayor



S Ntakana
Finance & Admin



M. Mxhonywa
Infrastructure



N. Stofile
Social Needs



N. Mananga (SPEAKER)

Portfolio Committee members

Finance and Admin standing Committee

Councillor S. Ntakana
(Chairperson)

Councillor S. Suka	Councillor Doda
Councillor N. Mahlombe	Councillor M. Andrews

Social and Community Needs Standing Committee

Councillor Stofile (Chairperson)	
Councillor T. Hoza	Councillor Jam- Jam
Councillor S.Bavuma	Councillor B. Ponoshe

Infrastructure and IPED Standing Committee

Councillor M. Mxhonywa (Chairperson)	
Councillor Z. Mose	Councillor N. Ngondo
Councillor Dyonase	Councillor M. Tshona

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

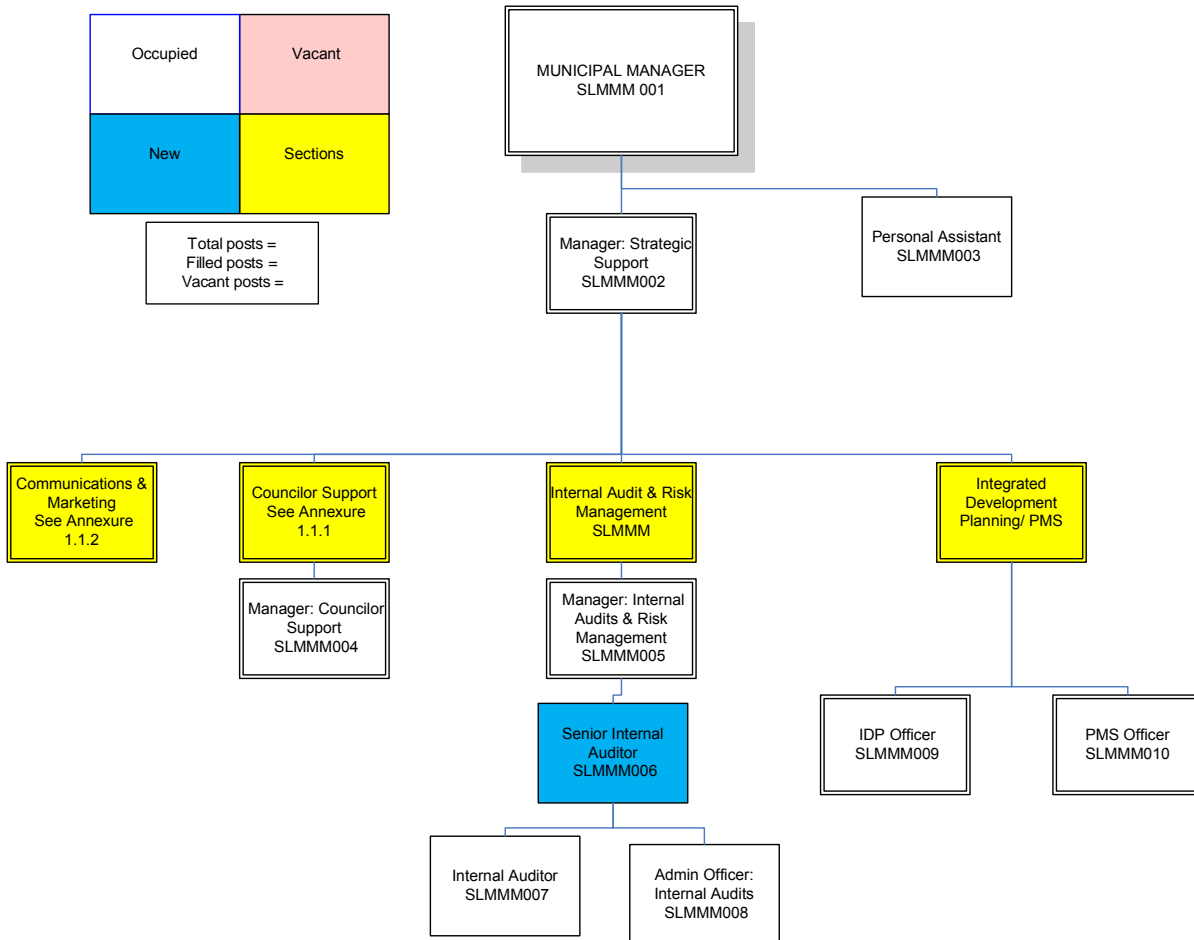
Chairperson: Cllr Suka			
Cllr Ngondo	Cllr Ponoshe	Cllr Doda	Cllr Bavuma
Cllr Dyonase		Cllr Andrews	

Appendix C: Third Tier Administrative structure

SAKHISIZWE LOCAL MUNICIPALITY

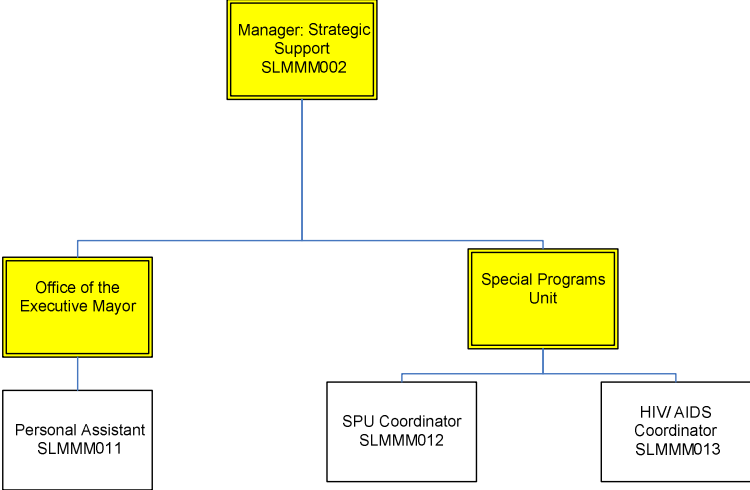
Office of the Municipal Manager

Annexure 1.1



SAKHISIZWE LOCAL MUNICIPALITY
Office of the Municipal Manager – Council Support

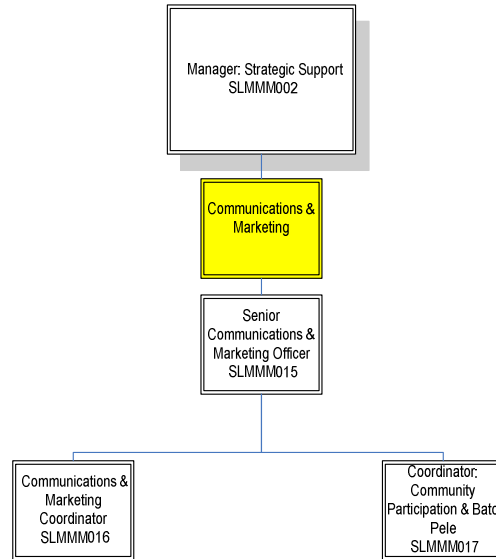
Annexure 1.1.1



SAKHISIZWE LOCAL MUNICIPALITY

Office of the Municipal Manager – Communications & Marketing

Annexure 1.1.2



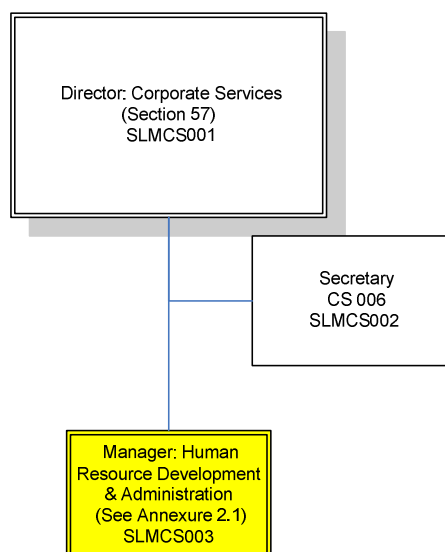
SAKHISIZWE LOCAL MUNICIPALITY

CORPORATE SERVICES

TOP MANAGEMENT STRUCTURE ANNEXURE 2

Filled	Vacant
New	Sections

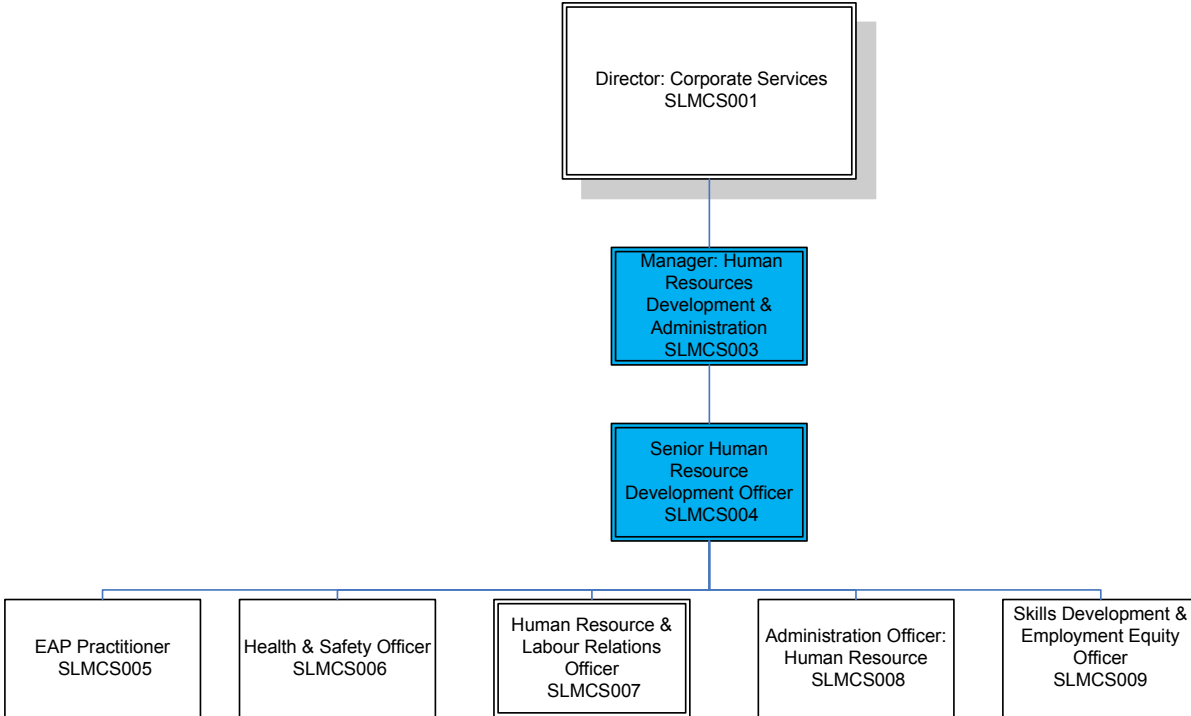
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Filled posts =
Vacant posts =



CORPORATE SERVICES

Human Resource Development

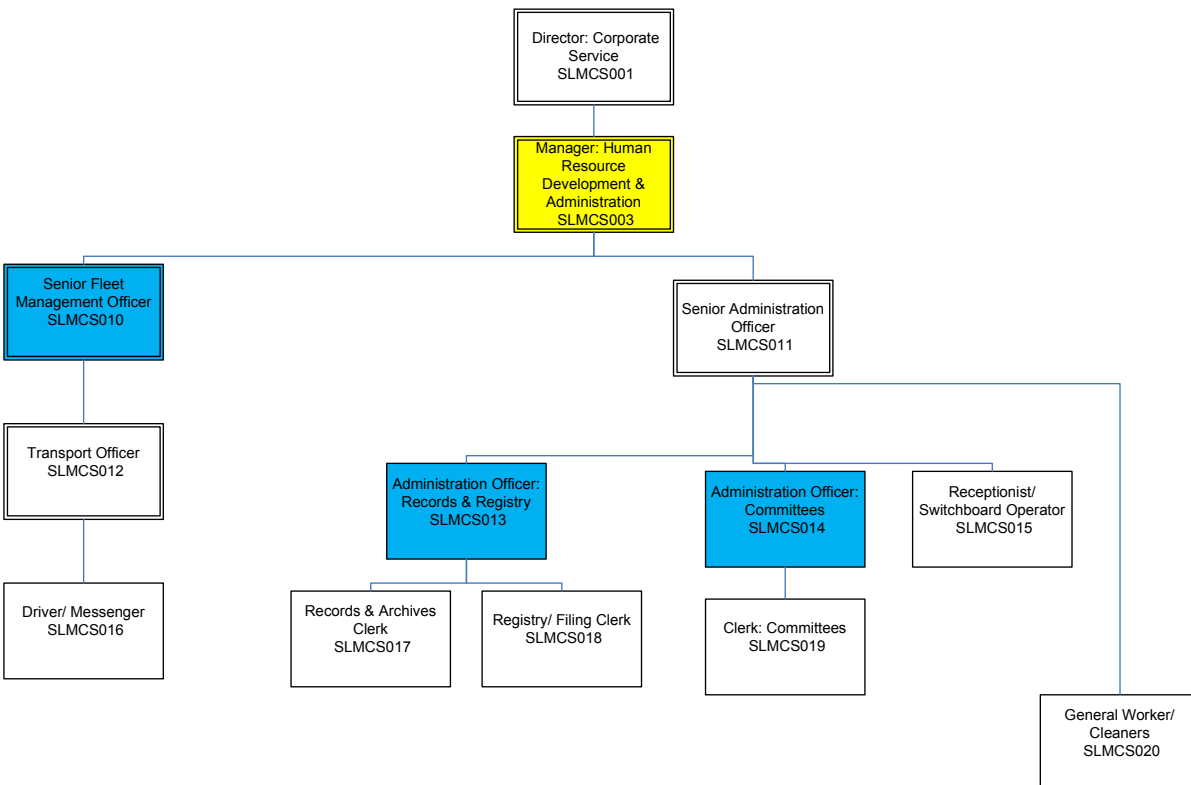
ANNEXURE 2.1



CORPORATE SERVICES

ADMINISTRATION

ANNEXURE 2.2

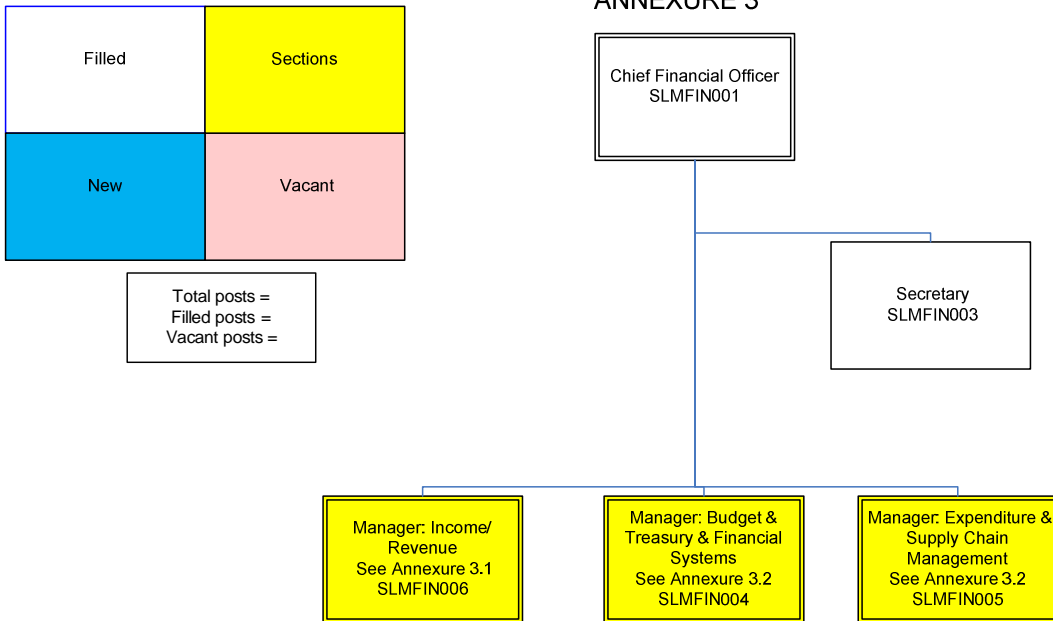


SAKHISIZWE LOCAL MUNICIPALITY

FINANCE DEPARTMENT

TOP MANAGEMENT STRUCTURE

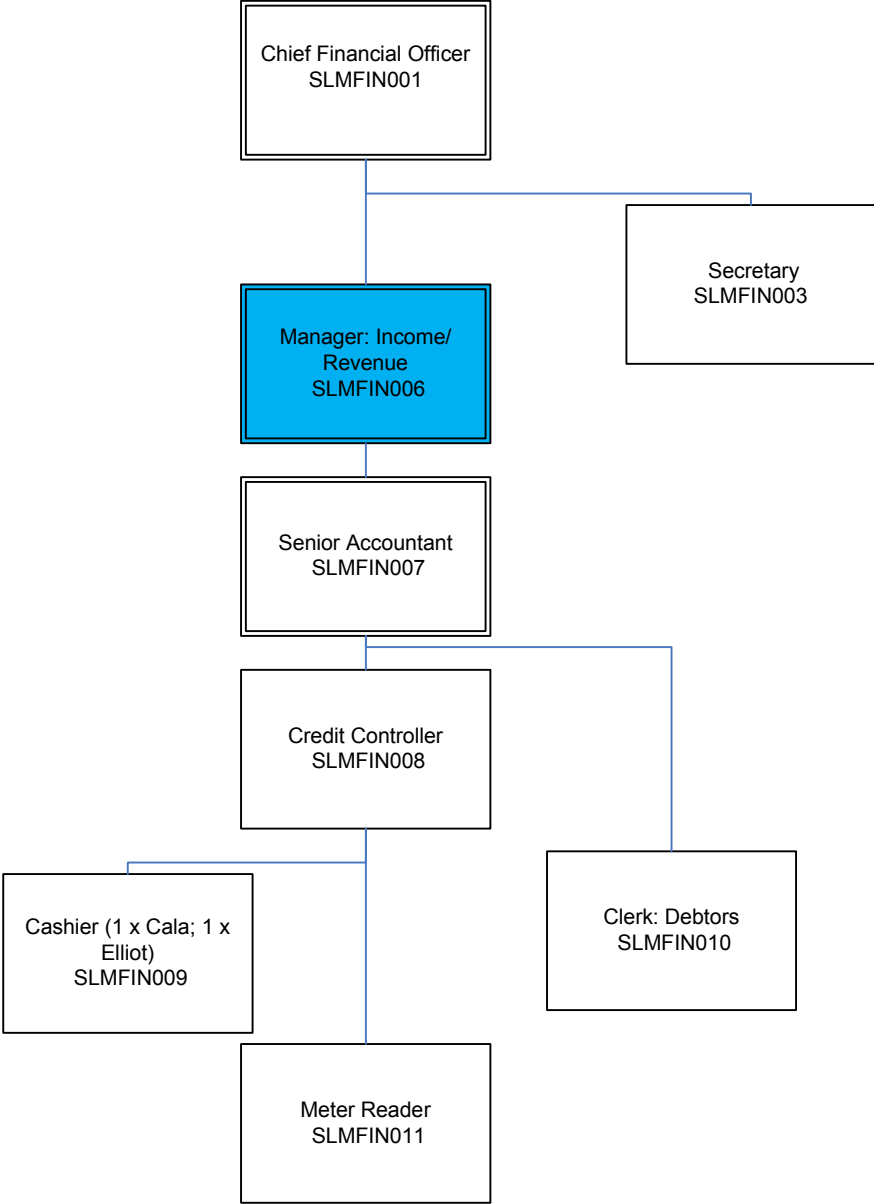
ANNEXURE 3



FINANCE DEPARTMENT

Income/ Revenue

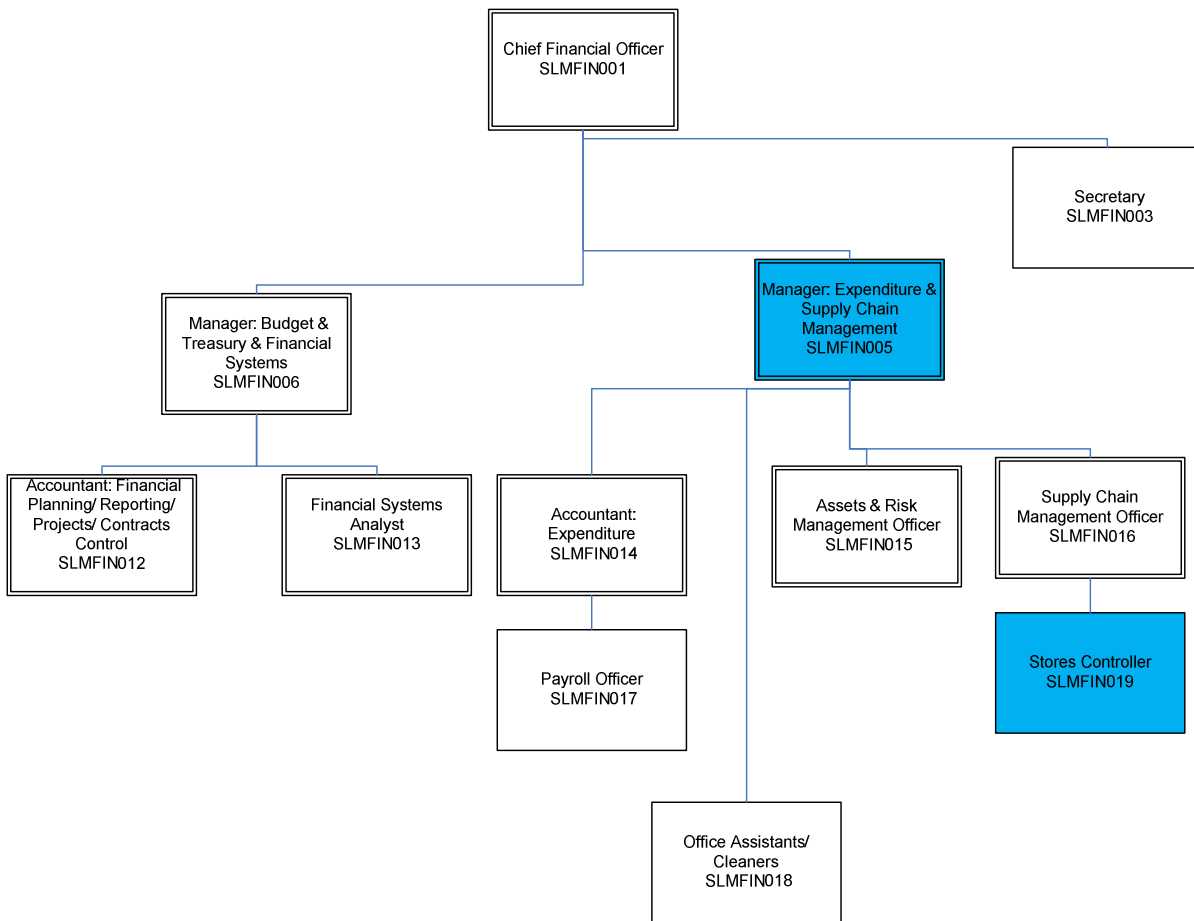
ANNEXURE 3.1



FINANCE DEPARTMENT

Budget & Treasury/ Expenditure & SCM

ANNEXURE 3.2



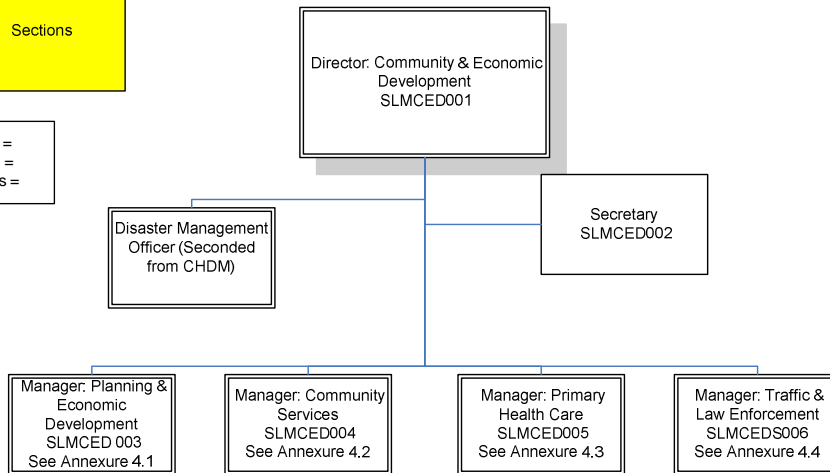
SAKHISIZWE LOCAL MUNICIPALITY

Community & Economic Development

TOP STRUCTURE ANNEXURE 4

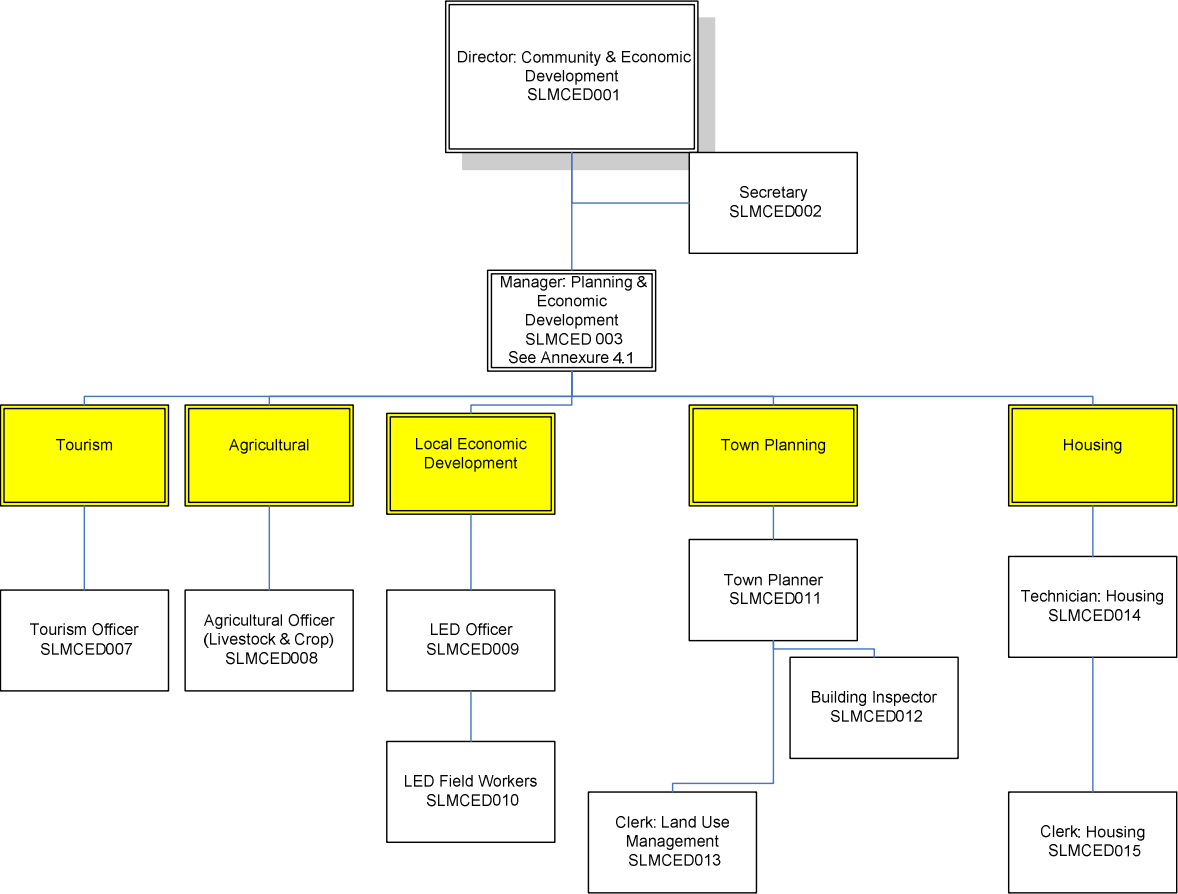
Filled	Vacant
New	Sections

Total posts =
Filled posts =
Vacant posts =



Community & Economic Development Planning & Economic Development

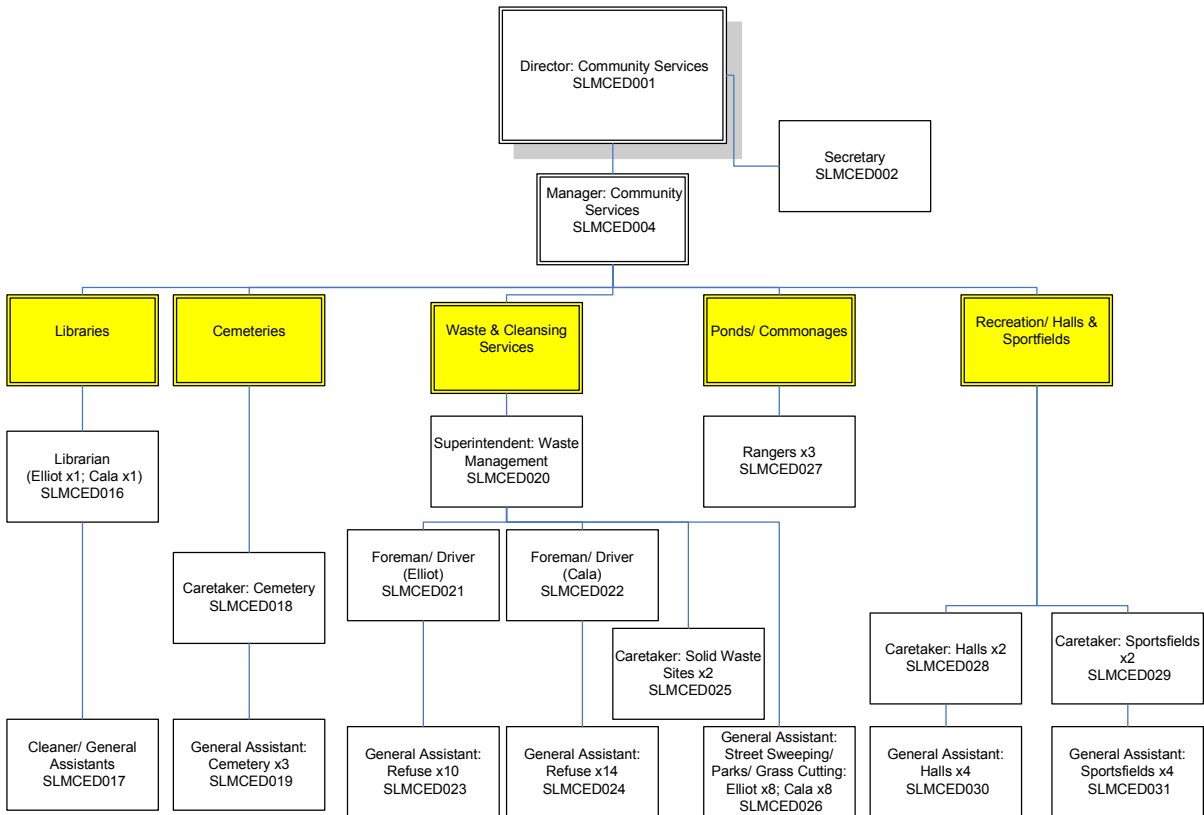
ANNEXURE 4.1



Community Services

Community Services

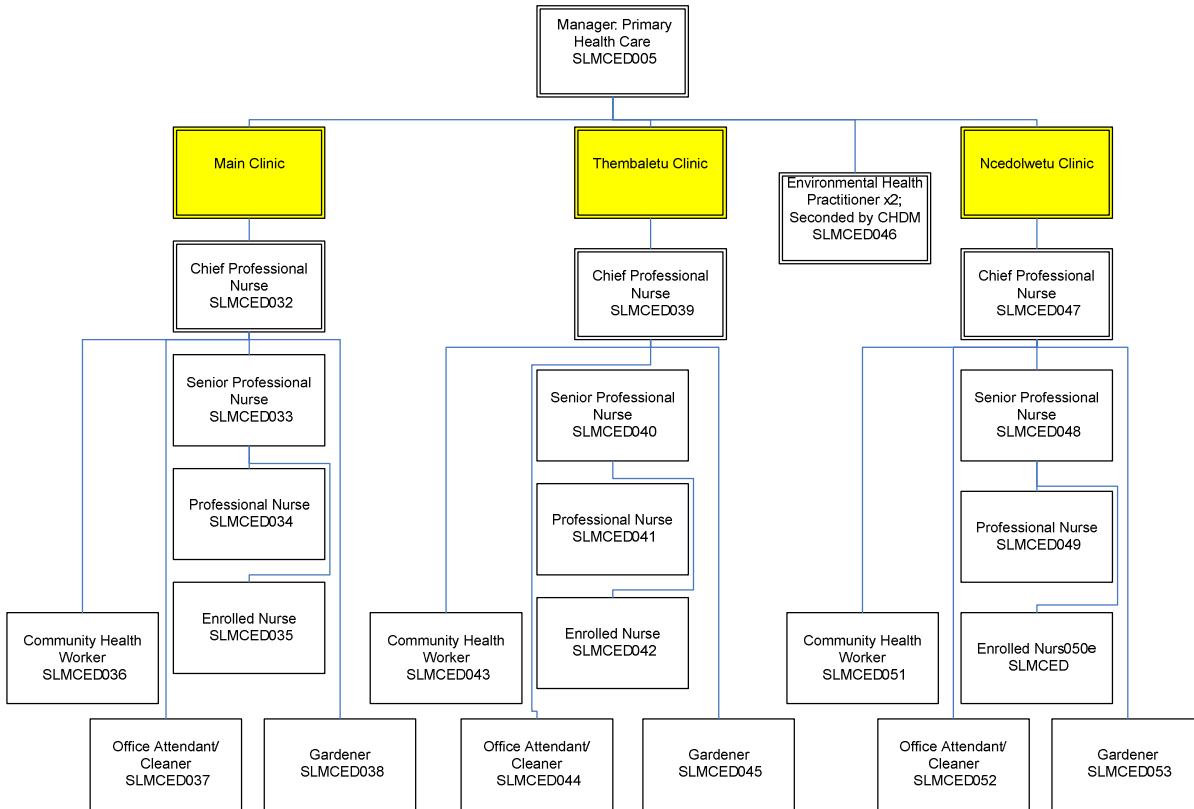
ANNEXURE 4.2



Community & Economic Development

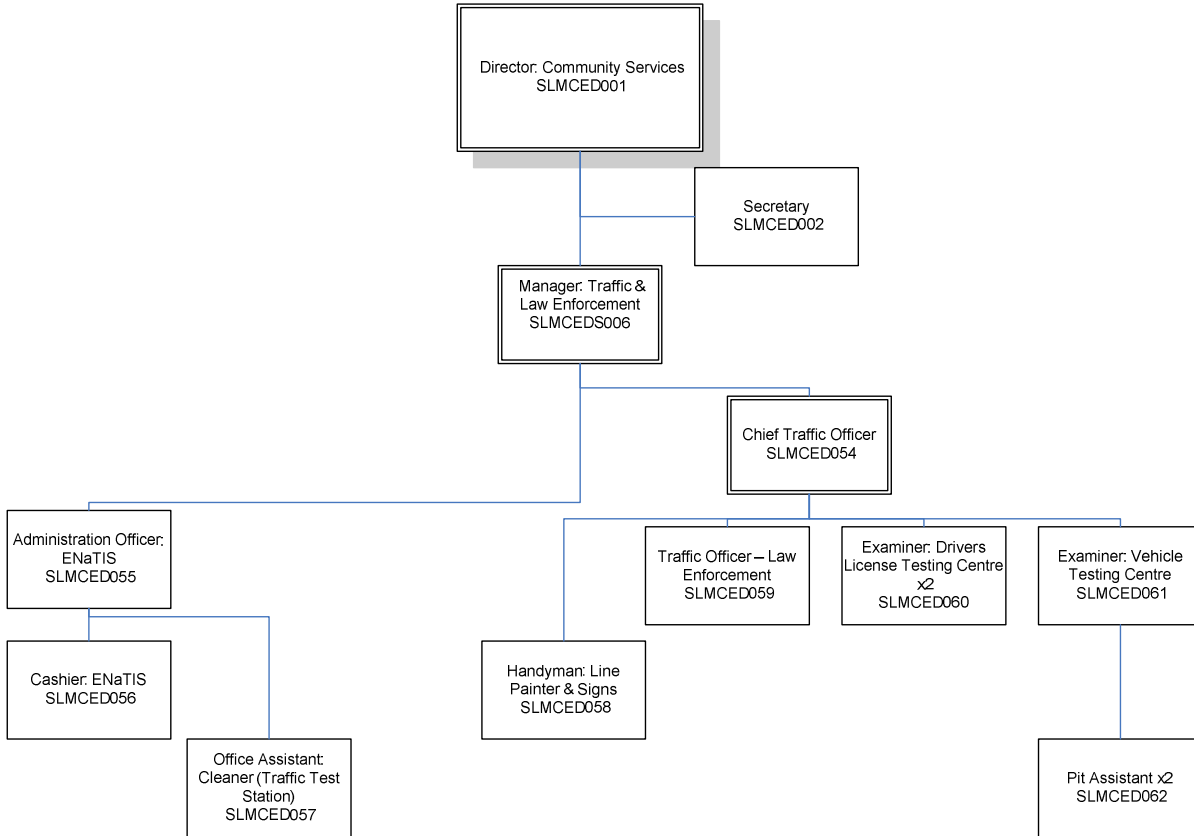
Primary Health care

ANNEXURE 4.3



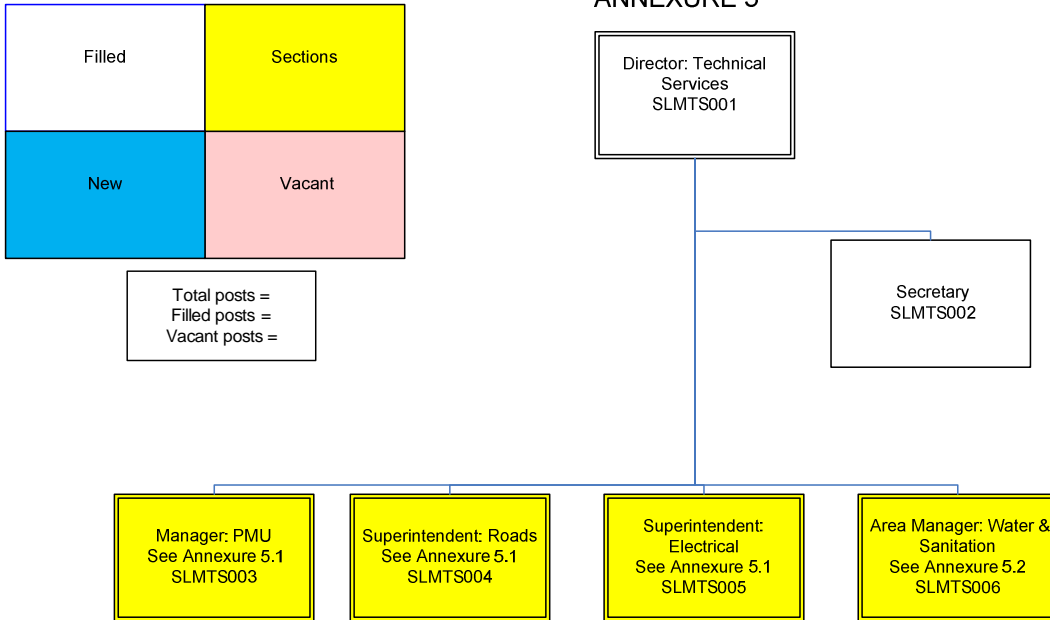
Community Services Traffic & Law Enforcement

ANNEXURE 4.4



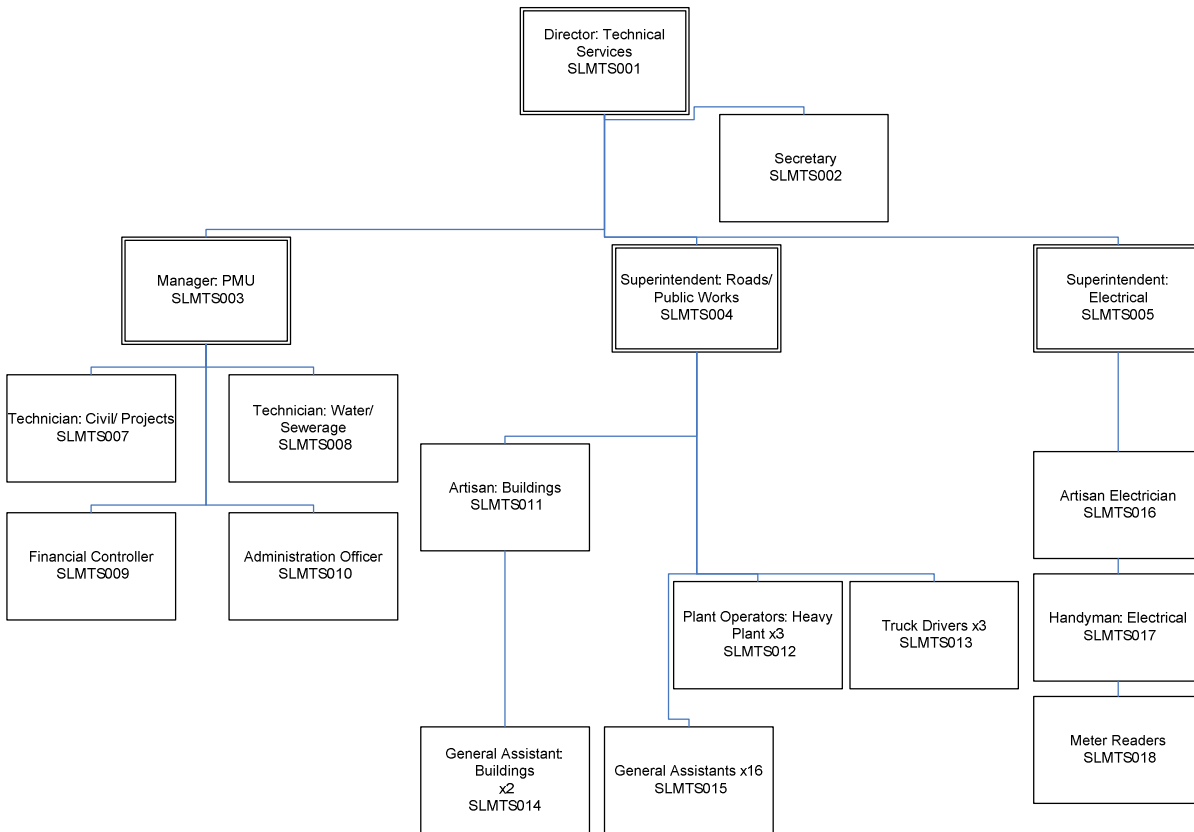
SAKHISIZWE LOCAL MUNICIPALITY TECHNICAL SERVICES

TOP MANAGEMENT STRUCTURE ANNEXURE 5



TECHNICAL SERVICES PMU/ ROADS/ ELECTRICAL

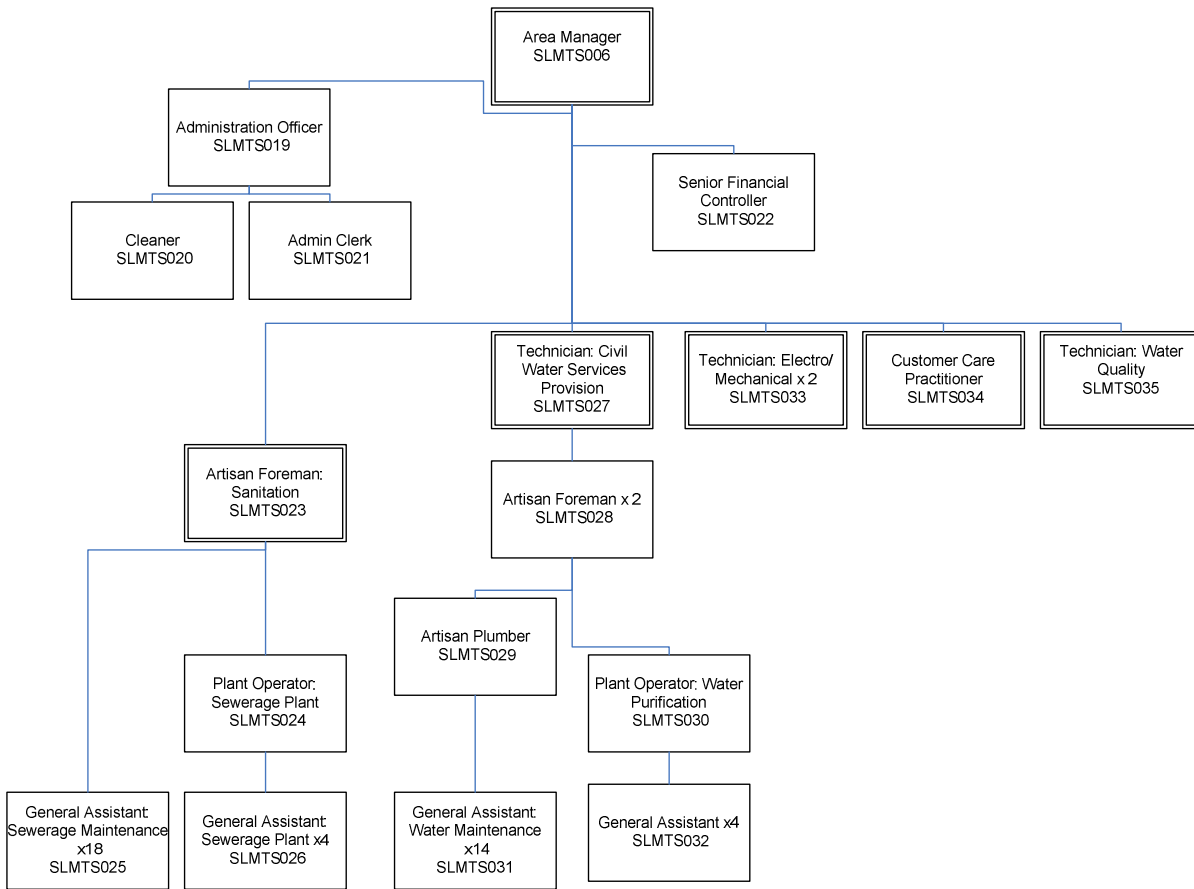
ANNEXURE 5.1



TECHNICAL SERVICES

Water Services Provision & Sanitation

Annexure 5.2



Appendix D: Functions of Municipality

The Constitution of the Republic of South Africa 1996 [Chapter 7 - Local Government]156. Powers and functions of municipalities states that,

- 1) A municipality has executive authority in respect of, and has the right to administer:
 - a) the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and
 - b) any other matter assigned to it by national or provincial legislation.
- 2) A municipality may make and administer by-laws for the effective administration of the matters which it has the right to administer.
- 3) Subject to section 151(4), a by-law that conflicts with national or provincial legislation is invalid. If there is a conflict between a by-law and national or provincial legislation that is inoperative because of a conflict referred to in section 149, the by-law must be regarded as valid for as long as that legislation is inoperative.
- 4) The national government and provincial governments must assign to a municipality, by agreement and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 or Part A of Schedule 5 which necessarily relates to local government, if:
 - a) that matter would most effectively be administered locally; and
 - b) the municipality has the capacity to administer it.
- 5) A municipality has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.

Appendix G: Recommendations of the Municipal Audit Committee

Appendix K (i): Revenue Collection Performance by Vote

<u>Revenue by Vote</u>	<u>Budget</u>	<u>Actual</u>	<u>Diff</u>	<u>% Diff</u>
Property Rates	3,261,891	2,867,068	-394,823	-12
Service Charges	13,280,000	9,832,604	-3,447,396	-26
Government grants and subsidies received	54,577,286	50,332,220	-4,245,066	-8
Rental income	1,008,500	137,915	-870,585	-86
Motor vehicles licenses & permits	2,883,350	2,269,263	-614,087	-21
Sundry Income	20,906,233	11,549,344	-9,356,889	-45
Interest received - arrears	2,130,000	4,242,775	2,112,775	99
Interest received - investments	630,000	661,566	31,566	5
				=
Total:	98,677,260	81,892,755	16,784,505	

Appendix K (ii): Revenue Collection Performance by Source

<u>Revenue by Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Diff</u>	<u>% Diff</u>
Executive & Council	1,023,000	1,023,000	0	0
Finance & Administration	43,495,596	41,382,883	-2,112,713	-5
Planning & Development	18,501,949	13,954,315	-4,547,634	-25
Housing	80,000	63,147	-16,853	-21
Public Safety	2,853,000	2,269,263	-583,737	-20
Health			0	
Community Services	321,256	53,805	-267,451	-83
Sport & Recreation	500	400	-100	-20
Waste Management	3,450,500	2,500,779	-949,721	-28
Road Transport	1,006,000	52,233	-953,767	-95
Electricity	7,096,500	5,712,561	-1,383,939	-20
Water	12,952,942	10,091,984	-2,860,958	-22
Waste Water Management	7,896,017	4,788,385	-3,107,632	-39
			-	
Total:	98,677,260	81,892,755	16,784,505	

Appendix L: Conditional Grants Received: Excluding MIG

Grant	<u>Adjustment</u> Budget	<u>Actual</u> Amount	<u>Varaince</u> %	Conditions
Equitable Share	34,165,000	34,165,000		Unconditional Finance Mangement Improvement of systems
FMG	1,500,000	1,500,000		
MSIG	790,000	790,000		
	36,455,000	36,455,000		

Appendix M(i): Capital Expenditure – New Assets Programme

	Asset Expenditure	Adjustment Budget	Asset Expenditure
Asset Programme	2011	2012	2012
Land			
Buildings	45,001		411,858
IT Equipment	189,848		89,824
Furniture & fixtures	740,954	220,000	74,242
Office Equipment	127,850		44,682
Emergency Equipment			
Motor Vehicles		350,000	369,415
Plant & Machinery	14,230,056	900,000	447,700
Infrastructure	3,306,506	8,791,999	756,834
Community	601,883	4,281,234	93,159
Landfill Sites		3,686,261	2,323,200
Work in Progress			12,637,244
Total:	19,242,098	18,229,494	17,248,158