



FINAL

ANNUAL REPORT FOR THE YEAR

ENDED JUNE 2012

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

GLOSSARY OF TERMS

| | |
|---------------|--|
| AFS | Annual Financial Statements |
| AG | Auditor General |
| AIDS | Acquired Immune Deficiency Syndrome |
| AR | Annual Report |
| CBP | Community Based Planning |
| CDW | Community Development Workers |
| CFO | Chief Financial Officer |
| CLLR | Councillor |
| BNG | Breaking New Ground |
| DEDEA | Department of Economic Development and Environmental Affairs |
| DM | District Municipality |
| DME | Department of Minerals and Energy |
| DPLG | Department of Local Government |
| DSRAC | Department of Sports, Recreation, Arts & Culture |
| ECDC | Eastern Cape Development Corporation |
| ECSECC | Eastern Cape Socio Economic Consultative Council |
| EIA | Environmental Impact Assessment |
| ELM | Elundini Municipality |
| EXCO | Executive Committee |
| EPWP | Expanded Public Works Programme |
| FET | Further Education and Training |
| FTE | Full-Time Equivalent |
| HCBC | Home Community Based Care |
| HIV | Human Immune Virus |
| HOD | Head of Department |
| HSP | Housing Sector Plan |
| IBSC | Institutional Balanced Score Card |
| IDP | Integrated Development Plan |
| IGR | Inter-Governmental Relations |
| IMFO | Institute of Municipal Finance Officers |
| IWMP | Integrated Waste Management Plan |
| JGDM | Joe Gqabi District Municipality |
| JoGEDA | Joe Gqabi Economic Development Agency |
| LED | Local Economic Development |
| LLF | Local Labour Forum |
| MFMA | Municipal Finance Management Act, 2003 |
| MIG | Municipal Infrastructure Grant |
| MM | Municipal Manager |
| MSA | Municipal Systems Act, 2000 |
| NER | National Energy Regulator |
| NT | National Treasury |

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| | |
|------------------|---|
| OHS | Occupational Health and Safety |
| O & M | Operations & Maintenance |
| PMU | Project Management Unit |
| PMS | Performance Management System |
| PPP | Public Private Partnership |
| PT | Provincial Treasury |
| SCM | Supply Chain Management |
| SDF | Spatial Development Framework |
| SDBIP | Service Delivery Budget and Implementation Plan |
| SLA | Service Level Agreements |
| SMMEs | Small, Medium and Macro Enterprises |
| SPU | Special Programmes Unit |
| TOR | Terms of Reference |
| WSA | Water Services Authority |
| WSDP | Water Services Development Plan |
| WSP | Water Services Provider |

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SECTION 1 – INTRODUCTORY NOTES

EXECUTIVE SUMMARY

This report assesses the Elundini Municipality's performance against planned targets in terms of the institutional scorecard for the 20011/2012 financial year. The document consists of four (4) sections that deal with different specific issues.

Section One is the introduction and overview which contains the Mayor's foreword, statement by the Municipal Manager and the Executive Summary.

Section Two has two chapters, the first chapter deals with both the demographics and geographic profiles of the municipality and the second chapter deals with the organisational profile of the municipality. The demographic overview indicates that the Elundini Municipality is a typical rural municipality characterized by huge infrastructure backlogs, inadequate revenue base and limited economic opportunities, high levels of poverty and unemployment and a high incidence of illiteracy, exacerbated by lack of social amenities.

The geographic overview also looks at the geographic location and the physical characteristics of the municipality.

This section also deals with the both the political and administrative composition and functioning of the municipality.

Section Three has five (5) chapters that deal with service delivery highlights by the municipality as per the Local Government Key Performance Areas (KPA). This section gives a narrative of all services provided by the municipality, including highlighting progress achieved in dealing with service delivery and backlogs.

- **Chapter 1:** reports on the substantial progress made by the Elundini Municipality regarding Human Resources and Organizational Management. It provides a detailed analysis of human resources capacity of the municipality as well as an overview of the systems and processes being implemented to ensure that human and organizational resources are managed in an effective and efficient manner.
- **Chapter 2:** deals with service delivery highlights and Service Delivery backlogs. It categorizes service delivery highlights per local government Key Performance Area (KPA). This section gives a narrative of all services provided by the municipality, including highlighting progress achieved in dealing with service delivery and backlogs.

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- **Chapter 3:** provides an overview of achievements and challenges in as far as the development of the Local Economic Development in the municipal area. This chapter also examines the possible remedial actions to be employed in order to create a more viable condition for the development of local economy.
- **Chapter 4:** provides the Annual Financial Statements and related financial information for the year ended 30 June 2012.
- **Chapter 5:** provides an overview of issues relating to achievements gained till 30 June 2012 emanating from the Vision 2011 strategic planning session the municipality held; public participation and consultation; Ward Committee establishment and functionality; CDWs performance monitoring; legal matters and the executive support programmes that include HIV/AIDS programmes, SPU programmes, Communication Programmes, Women Empowerment Programmes and IGR issues.

Section Four provides information that shows overview, description and analysis of each function provided by the municipality. This includes the performance of the municipality against set targets as reflecting in the municipality's Scorecard and SDBIP.

The section also draws amongst other things a summary of the municipality's performance during this financial year, its priorities for service delivery with established performance targets and measures taken and or to be taken to improve performance.

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A. FOREWORD BY THE MAYOR TO THE DRAFT ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The time has come, once again for us to present the final annual report for the period commencing 01 July 2011 and ending on 30 June 2012 for the Elundini Local Municipality. The report is detailing our achievements as the Local Municipality on service delivery in line with our set and settled mandate, as contained in our mission, vision and objectives.

The presentation of this final annual report is an exciting benchmark that reflects systematically on the progress of our Municipality. This final annual report is our key public document through which transparency and accountability are achieved. In it we lay bare our actual performance against our predetermined objectives. In doing so, role players and our communities are enabled to assess our institution's success and to see whether we are achieving our Constitutional and legislative mandates as part of developmental local government.

Those of us who are in local government, the coalface of democracy are familiar with the clause from the Freedom Charter that says *"the people shall govern"*. To this end, Elundini Local Municipality has and will continue interacting with communities and other stakeholders through amongst others the IDP and Budget processes. The Municipality is faced with many challenges and backlogs even though it recorded significant progress in the past years and will continue seeking ways of going past all the challenges faced.

A lot has been achieved towards bettering the lives of the majority of our communities since the introduction of the democratic local government system in 1995, but much still needs to be done. It is against this background that our vision that says *"A leading rural municipality that delivers a better quality of life for all citizens; a municipality that is phenomenally viable, highly successful and passionately people-centred"* is still relevant as it was during its adoption.

Consistent with our objectives are the tasks of ensuring that critical structures of local governance are strengthened in all wards in the municipality, traditional leaders form an integral and indispensable part of local government programs and sustenance of the successes made with regard to E.P.W.P Programme, Community participation and other objectives that are adding impetus on the "People's contract for a better life for all" are maintained.

Our people have trust in our elected public representatives and officials and we thus collectively aim to serve their needs and aspirations which they raised during our IDP Outreach and IDP and Budget consultative meetings.

I wish to thank all the Members of the Executive Committee, Councillors, the Municipal Manager and his staff for the efficient and effective way in managing the affairs of the Municipality. Our people have spoken and ours is to implement.

HER WORSHIP, THE MAYOR
COUNCILLOR N. R. LENGIS

B. STATEMENT BY THE MUNICIPAL MANAGER

The 2012 audit outcomes for the Elundini Municipality continue to reflect a trend of improvement, with the sustenance of the unqualified audit opinion and a significant reduction in matters of emphasis when compared to the previous financial year. The major issues which continue to dog the municipality in its quest for a clean audit opinion are the following:-

- ✓ Performance information
- ✓ Material under spending of the capital budget
- ✓ SCM practices

These are matters that are receiving the fervent attention of the municipality, as evidenced by:-

- ✓ The revision of the 2012/2013 service delivery and budget implementation plan to ensure that the performance objectives, indicators and targets meet all the prescribed criteria;
- ✓ Closer monitoring of budget performance to avert under spending of the budget;
- ✓ Adoption and implementation of a strategy to address shortcomings in the SCM practices

Addressing these outstanding issues might just aid the municipality's endeavours towards the attainment of a clean audit opinion by 2014.

The institutional improvements in the municipality are further underpinned by drastic measures taken to placate labour by developing and implementing the Placement and Migration Policy that has resulted to most employees being placed in positions, horizontally and vertically, which stand them in good stead to advance their careers at the Elundini Municipality.

As of July 2012, the Joe Gqabi District Municipality has revoked the water services provider agreement with the Elundini Municipality, which has been in existence since the proclamation in 2003 of a number of category C municipalities as water services authorities. The process of transferring the affected employees to the Joe Gqabi District Municipality is currently underway, expected to be finalised by the end of January 2013. The decision of the District Municipality should not be misconstrued in any way as heralding an era of frustration in the delivery of water services in Elundini Municipality, but should rather be viewed as an attempt by the water services authority to improve the quality of service delivery. The quality of service delivery in this regard stands to be enhanced by an intergovernmental regime between the respective institutions that would result to the communities not feeling the changes that have occurred.

Electricity provision to the vast majority of the population of the Elundini Municipality has continued to bedevil our municipality's quest for a better quality of life for its citizens. The municipality is currently engaged with the Development Bank of Southern Africa, in terms of which an estimated R15 million would be provided by the bank as an advance to the municipality, against future government allocations to ESKOM, to electrify certain identified villages not constrained by the absence of the requisite infrastructure. It is hoped that these engagements will yield positive results.

The municipality's progress will only have a developmental undertone if it is founded on the participation of the people of Elundini. The launch of the public participation forum in November 2011 has gone a long way in addressing shortcomings in the interaction between communities and government. The work of the public participation forum, however, will be further enhanced by the

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establishment and operationalisation of an intergovernmental forum whose duty it will be to coordinate all government work in Elundini Municipality and thus, in a coordinated, comprehensive fashion, periodically interact with communities, under the banner of the public participation forum, to impart information on progress being made in the drive to achieve a better quality of life.

Khaya Gashi
Municipal Manager

SECTION 2 - MUNICIPALITY OVERVIEW

CHAPTER 1

1. GEOGRAPHIC AND DEMOGRAPHIC PROFILE



1.1. Locality

Elundini Municipal area covers an area of 5064km² and is divided into 17 wards. It is located in the east of the Joe Gqabi District Municipality and shares boundaries with the following local municipalities:

- Umzimvubu to the northeast,
- Mhlonlo to the southeast,
- Sakhisizwe to the southwest, and
- Senqu to the west.
- Lesotho is situated on the northern borders of the municipality.

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The municipality has three towns namely; Mount Fletcher, Maclear and Ugie, and is characterized by vast farming areas in the areas surrounding Maclear and Ugie as well as the Pitseng area in Mt Fletcher. The majority of the municipality's inhabitants reside in rural villages situated in the foothills of Maluti Mountains and Southern Drakensburg Range as well as the rural villages inherited from the erstwhile magisterial districts of Tsolo and Qumbu. The R56 runs from Elliot through Elundini Municipal area linking the three towns with KwaZulu–Natal.

1.2. Population Figures

According to the Census 2011, Elundini Municipality has a population of approximately 138 141 people residing in 37 854 households. This population accounts for 39.50% of the total population residing in the Joe Gqabi district, making it the most populous local municipality in the district.

Based on the latest results by Stats SA, population of both the JGDM and ELM has increased by 0.23% and 0.05% respectively, the most increase being notice around Ugie due to the Steinhoff/PG Bison investment.

The table below depicts the population increase as at 2011.

| AREA | POPULATION CHANGES | | | |
|---------------------|--------------------|---------------|---------|---------------|
| | 2001 | % of district | 2011 | % of district |
| Elundini LM | 137 394 | 40, 2% | 138 141 | 39, 5% |
| Joe Gqabi DM | 341 750 | 100% | 349 768 | 100% |

Source: Census 2011

1.3. Rural vs. Urban Population

According to the 2001 Census 77% of households are rural in nature, this includes rural villages and farm households. This dynamic is shifting with the phenomenon of urban in-migration occurring in Elundini Municipality. This is especially evident in the town of Ugie, where the town's population has increased from 8 344 in 2001 to approximately 16 355 in 2004. This figure has probably increased with the addition of 2 130 new housing units planned for Ugie, which will accommodate approximately 10 560 people. The establishment of the timber manufacturing plant has particularly had a pull effect on the town of Ugie and the neighbouring Maclear, which has had an effect of overstressing the already strained infrastructure.

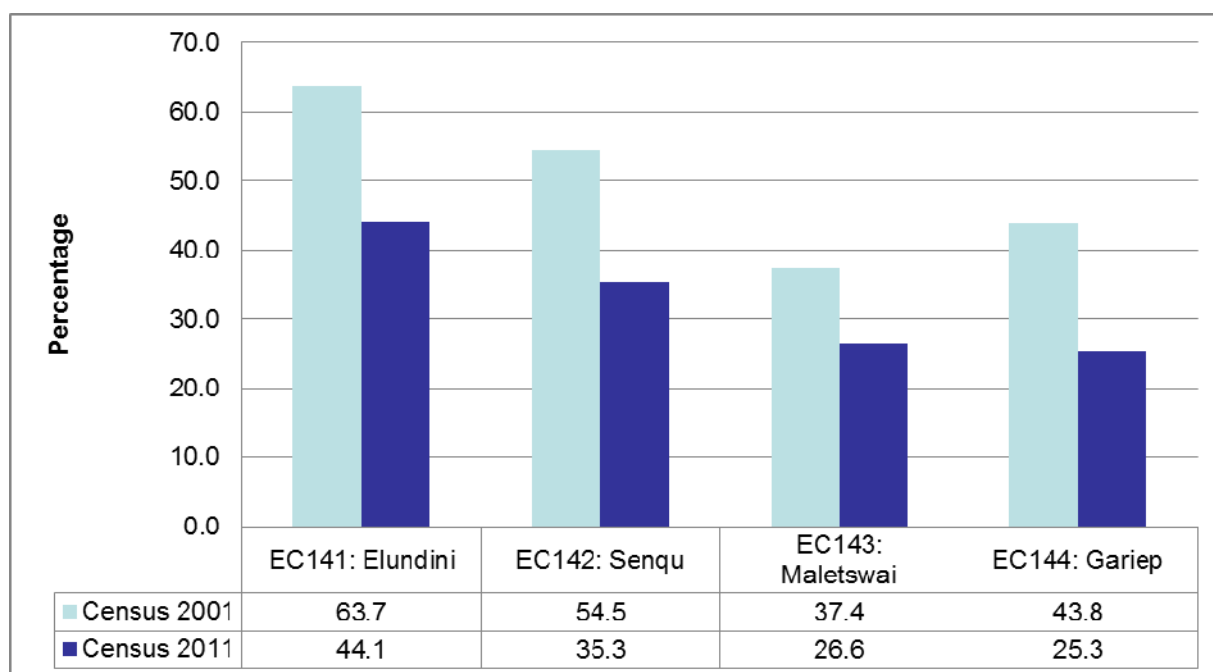
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1.4. Age, Gender and Racial Profile

According to Census 2011, approximately 49.1% of the municipal population falls in the 15 – 54 age categories which can be seen as the economically active sector of the population, with 35.4% of the population below the age of 15. This suggests continuing population growth in the district with a need for educational facilities and a focus on education and skills training. The overall male and female ratio is approximately 47.4% male to 52.6% female. This may be ascribed to the migrant and commuter labour which has resulted in many households having a woman as the head of the household and the chief breadwinner living away from the home. This will impact on the type of development that will occur.

1.5. UNEMPLOYMENT AND DEPENDENCY ON SOCIAL GRANTS

Data from the Census 2011 indicates that 44, 1% of the total population of Elundini is unemployed, a decrease of 19, 6% from the 63, 7% in 2001 as depicted by the table below.



Data from SASSA as at July 2012 indicated that the total value of state support in the form of grants to Elundini beneficiaries was **R 35 473 103. 00** in all the three (3) towns. This figure equals 49, 9% of the total value (**R 86 721 101. 00**) of state support to the entire Joe Gqabi District.

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CHAPTER 2

ORGANISATIONAL PROFILE

2.1. MUNICIPAL COUNCIL

The Elundini Municipality has 17 Wards and 34 councillors who represent four political parties in the Municipal Council.

The political party composition of the Municipal Council is as follows: -

| Political Party representation | During the year under review | |
|--------------------------------|------------------------------|------------------|
| | Number | % representation |
| African National Congress | 28 | 82, 36 |
| United Democratic Movement | 2 | 5, 88 |
| Democratic Alliance | 2 | 5, 88 |
| African Independence Congress | 2 | 5, 88 |
| TOTAL | 34 | 100 |

The Speaker, Councillor Mzukhona Bomela, is the chairperson of the Municipal Council.

The Municipal Council had 10 meetings during the year under review, which includes both special and ordinary meetings. The attendance of the meetings of the Municipal Council was as follows:-

| SCHEDULED DATE | ACTUAL MEETING | ATTENDANCE | | TYPE OF MEEING |
|--------------------------|-------------------|------------|-----|--------------------------|
| | | Number | % | |
| 30 September 2011 | 14 September 2011 | 32 | 94% | Ordinary Council Meeting |
| | 31 October 2011 | 33 | 97% | Special Council Meeting |
| | 18 November 2011 | 31 | 91% | Special Council Meeting |
| 6 December 2011 | 6 December 2011 | 31 | 91% | Ordinary Council Meeting |
| | 21 December 2011 | 27 | 79% | Special Council Meeting |
| | 31 January 2012 | 33 | 97% | Special Council Meeting |
| 02 April 2012 | 29 February 2012 | 33 | 97% | Special Council Meeting |
| | 02 April 2012 | 33 | 97% | Ordinary Council Meeting |
| | 15 June 2012 | 32 | 94% | Special Council Meeting |
| 29 June 2012 | 29 June 2012 | 32 | 94% | Ordinary Council Meeting |

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2.2. THE EXECUTIVE COMMITTEE

In terms of Section 9(b) of the Municipal Structures Act (117 of 1998), the Elundini Municipality has a Collective Executive System with a Ward Participatory System.

The Executive Committee consists of six (6) members appointed by the Council on a proportional representation basis including the Mayor who is also the chairman of the Executive Committee.

The Executive Committee is the principal committee of the Council. It is the Committee which receives reports from the Standing or Portfolio Committees of Council and disposes off such reports in terms of its delegated authority. The Executive Committee forwards a report to the municipal council on all decisions that the Executive Committee has taken and further submits recommendations to the municipal council on all those matters that it cannot dispense with in terms of its delegated authority.

The following councillors served as members of the Executive Committee during the term under review:

| COUNCILLOR | PORTFOLIO |
|--------------------------|---|
| Nonkongozelo Lengs | Mayor |
| Dumisani Mvumvu | Political Head: Community Services |
| Thlokomelo Lehata | Political Head: Infrastructure Planning and Development |
| Letitia Somikazi Baduza | Political Head: Corporate Services |
| Mlamli Mqamelo | Political Head: Financial Services |
| Nontuthuzelo Nkalitshana | Political Head: Strategic Planning and Economic Development |

In terms of the Council Calendar, the Executive Committee had 10 scheduled meetings for the year under review, and actually held 12 meetings which included both special and ordinary meetings.

| SCHEDULED DATE | ACTUAL MEETING | TYPE OF MEEING |
|-----------------------|-----------------------|-----------------------|
| 21 July 2011 | Did not sit | Ordinary EXCO |
| 16 August 2011 | 16 August 2011 | Ordinary EXCO |
| 16 September 2011 | 16 September 2011 | Ordinary EXCO |
| 20 October 2011 | 19 October 2011 | Ordinary EXCO |
| 17 November 2011 | 16 November 2011 | Ordinary EXCO |
| | 28 November 2011 | Special EXCO |
| | 23 February 2012 | Special EXCO |
| 28 February 2012 | 05 March 2012 | Ordinary EXCO |
| | 14 March 2012 | Special EXCO |
| 22 March 2012 | 22 March 2012 | Ordinary EXCO |
| 30 April 2012 | 25 April 2012 | Ordinary EXCO |
| 29 May 2012 | 03 June 2012 | Ordinary EXCO |
| 20 June 2012 | 20 June 2012 | Ordinary EXCO |

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The attendance of the meetings of the Executive Committee by EXCO members was as follows: -

| Date of EXCO meeting | ANALYSIS OF COUNCILLOR ATTENDANCE | | | | | | | | | | | | % attendance | | | | | |
|----------------------|-----------------------------------|---|---|-------------|---|---|-------------|---|---|-------------|---|---|--------------|------------------|---|--------------|---|--------|
| | Cllr Lengs | N | R | Cllr Mvumvu | D | D | Cllr Lehata | T | J | Cllr Baduza | L | S | | Cllr Nkalishtana | N | Cllr Mqamelo | A | M |
| 16/08/2011 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 16/09/2011 | | ✓ | | | ✓ | | | Ω | | | ✓ | | | Ω | | ✓ | | 66, 7% |
| 19/10/2011 | | ✓ | | | ✓ | | | ✓ | | | Ω | | | Ω | | ✓ | | 66, 7% |
| 16/11/2011 | | ✓ | | | Ω | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 88, 3% |
| 28/11/2011 | | ✓ | | | Ω | | | Ω | | | ✓ | | | ✓ | | ✓ | | 66, 7% |
| 22/2/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 05/03/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 14/03/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 22/03/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 25/04/2012 | | Ω | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | Ω | | 66, 7% |
| 03/06/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |
| 20/06/2012 | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | ✓ | | 100% |

Legend:

- ✓ - Attended EXCO meeting
- Ω - Did not attend EXCO meeting

2.3. COMMITTEES OF COUNCIL

The Municipal Council has established various committees in terms of Sections 33 and 79 of the Municipal Structures Act as well as in terms of the Council's Standing Rules and Orders. These committees have been established to address certain specific objectives:

2.3.1. COMMITTEES TO ASSIST THE EXECUTIVE COMMITTEE

Section 80 of the Municipal Structures Act, provides that where a municipal council has an Executive Committee, it may appoint, in terms of Section 79, Committees of Councillors to assist the Executive Committee. The Elundini Municipality has established five Section 80 Committees which are aligned to the administrative departments and are chaired by members of the Executive Committee. The meetings of the section 80 committees took place as follows during the year under review:-

| SECTION 80 COMMITTEE | SCHEDULED DATE | ACTUAL MEETING |
|----------------------------|-----------------------|-------------------|
| BUDGET AND TREASURY OFFICE | 6 – 8 July 2012 | Did not sit |
| | 3 – 5 August 2011 | 5 August 2011 |
| | 5 – 7 September 2011 | 13 September 2011 |
| | 5 – 7 October 2011 | 27 October 2011 |
| | 2 – 4 November 2011 | 24 November 2011 |
| | | 26 January 2012 |
| | 14 – 16 February 2012 | 29 February 2012 |
| | 13 – 15 March 2012 | 17 March 2012 |
| | 17 – 19 April 2012 | Did not sit |
| | 15 – 17 May 2012 | 29 May 2012 |
| | 12 – 14 June 2012 | 28 June 2012 |
| | | |

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| | | |
|--|---------------------|-------------------|
| CORPORATE SERVICES | 6-8 July 2011 | Did not sit |
| | 3-5 August 2011 | 13 September 2011 |
| | 5-7 September 2011 | 13 September 2011 |
| | 5-7 October 2011 | 28 October 2011 |
| | 2-4 November 2011 | 19 December 2011 |
| | 14-16 February 2012 | 16 February 2012 |
| | 13-15 March 2012 | 15 March 2012 |
| | 17-19 April 2012 | 18 April 2012 |
| | 15-17 May 2012 | 28 May 2012 |
| | 12-14 June 2012 | 28 June 2012 |
| | | |
| COMMUNITY SERVICES | 6-8 July 2011 | 23 August 2011 |
| | 3-5 August 2011 | Did not sit |
| | 5-7 September 2011 | 13 September 2011 |
| | 5-7 October 2011 | 06 October 2011 |
| | 2-4 November 2011 | 09 November 2011 |
| | 14-16 February 2012 | 27 February 2012 |
| | 13-15 March 2012 | Did not sit |
| | 17-19 April 2012 | 19 April 2012 |
| | 15-17 May 2012 | 28 May 2012 |
| | 12-14 June 2012 | Did not sit |
| | | |
| INFRASTRUCTURE PLANNING AND DEVELOPMENT | 6-8 July 2011 | 22 July 2011 |
| | 3-5 August 2011 | 10 August 2011 |
| | 5-7 September 2011 | 09 September 2011 |
| | 5-7 October 2011 | 12 October 2011 |
| | 2-4 November 2011 | 23 November 2011 |
| | 14-16 February 2012 | 21 February 2012 |
| | 13-15 March 2012 | 14 March 2012 |
| | 17-19 April 2012 | 24 April 2012 |
| | 15-17 May 2012 | 22 May 2012 |
| | 12-14 June 2012 | 13 June 2012 |
| | | |
| STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT | 6-8 July 2011 | Did not sit |
| | 3-5 August 2011 | 17/08/2011 |
| | 5-7 September 2011 | 05/09/2012 |
| | 5-7 October 2011 | 05/10/2012 |
| | 2-4 November 2011 | 09 November 2011 |
| | 14-16 February 2012 | 16 February 2012 |
| | 13-15 March 2012 | 15 March 2012 |
| | 17-19 April 2012 | 25 April 2012 |
| | 15-17 May 2012 | 22 May 2012 |
| | 12-14 June 2012 | 13 June 2012 |
| | | |

2.3.3. OVERALL COMMENT ON THE FUNCTIONALITY OF SECTION 80 COMMITTEES

- The Financial Services Committee met 90% of its scheduled meetings
- The Corporate Services Committee met 90% of its scheduled meetings
- The Community Services Committee met 70% of its scheduled meetings
- The Infrastructure Planning and Development Committee met 100% of its scheduled meetings
- The Strategic Planning and Economic Development Committee met 90% of its scheduled meetings

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2.3.4. SECTION 79 COMMITTEES

The By-laws relating to the Standing Rules and Orders , which were revised in May 2012, make provision for the establishment of the following section 79 committees, inter alia:-

- ✓ Advisory Committees
- ✓ Ad Hoc Committees
- ✓ Audit Committee
- ✓ Remuneration Committee
- ✓ Municipal Public Accounts Committee
- ✓ Strategic Governance Committee
- ✓ Members Interests and Ethics Committee
- ✓ Budget Steering Committee
- ✓ Mandate Committee

The functionality of the section 79 committees during the year under review can be demonstrated as follows: -

2.3.4.1 ADVISORY COMMITTEE

There was no advisory committee appointed during the year under review.

2.3.4.2 AD HOC COMMITTEE

There was no Ad Hoc Committee appointed during the year under review.

2.3.4.3. AUDIT COMMITTEE

A detailed report on the functionality of the Audit Committee is recorded separately as an integral part of the annual report.

2.3.4.4. REMUNERATION COMMITTEE

| Number of scheduled meetings | of | Number of meetings actually held | of | Comments |
|-------------------------------------|-----------|---|-----------|--|
| 4 | | 2 | | The staff remuneration committee only achieved 50% of its scheduled meetings |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

2.3.4.5. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The municipal public accounts committee (MPAC) was established on the 18 November 2011, following the publication of guidelines by the MEC for Local Government and Traditional Affairs and the disestablishment of the erstwhile Oversight Committee, which had been established in terms of circular 32 issued in terms of the Municipal Finance Management Act Number 56 of 2003.

| Number of scheduled meetings | Number of actual meetings held | Number of oversight reports submitted to Council | Comments |
|------------------------------|--------------------------------|--|--|
| 4 | 6 | 2 | Whilst the number of meetings held by the MPAC exceeds the scheduled meetings, the number of oversight reports submitted to the municipal council does not match the number of meetings held, constituting 50% of the scheduled meetings held. |

2.3.2.6. STRATEGIC GOVERNANCE COMMITTEE

| Number of scheduled meetings | Number of meetings actually held | Comments |
|------------------------------|----------------------------------|--|
| 4 | 2 | The strategic governance committee achieved only 50% of its scheduled meetings |

2.3.2.7. MEMBERS' INTERESTS AND ETHICS COMMITTEE

| Number of scheduled meetings | Number of meetings actually held | Comments |
|------------------------------|----------------------------------|--|
| 4 | 1 | The members' interests and ethics committees only achieved 25% of its scheduled meetings |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

2.3.4.8. BUDGET STEERING COMMITTEE

In terms of the By-Laws relating to the Standing Rules and Orders of Council, the purpose of this committee is to provide technical assistance to the Mayor in discharging his or her duties as provided for in the Municipal Finance Management Act No 56 of 2003.

This committee has not been established.

2.3.4.9. MANDATE COMMITTEE

The purpose of the Mandate Committee is to serve as a mandating structure for the representatives of the Elundini Municipality appointed to serve in the municipal council of the Joe Gqabi District Municipality. Although this committee was initially established on 5 November 2010 and further re-established on 31 May 2011 pursuant to the election of the current council, it has never met as required by the Policy Framework governing the relations between the Joe Gqabi District Municipality and the Elundini Local Municipality, and as required by the By-Laws relating to the Standing Rules and Orders of Council.

2.3.4.10. OVERALL COMMENT ON THE FUNCTIONALITY OF SECTION 79 COMMITTEES

Except for the Audit Committee which appears to have diligently discharge its responsibilities in terms of the Audit Committee Charter, and the Municipal Finance Management Act 56 of 2003, all other Section 79 committees appear not to have functioned properly during the year under review.

SECTION 3 – KPA’S PERFORMANCE HIGHLIGHTS

CHAPTER 1

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

1.1. INTRODUCTION

The Human Resources function serves as a support function to the municipality and its primary objectives include, among others:

- Management of employees’ conditions of service in terms of the relevant collective agreement and policies;
- Design and implement an organisational structure aligned to the municipality’s powers and functions and the IDP;
- Facilitate the training and development of personnel including councillors;
- Maintenance of a human resources environment that is conducive to and that promotes organisational stability and harmony;
- Implementation of the Job Evaluation System.

During the year under review, the Municipal Manager and his 4 Section 57 Managers signed their annual performance agreements aligned to the SDBIP of the Municipality which were subsequently submitted to institutions as prescribed in relevant legislation.

The municipality, on a continuous basis, develops, reviews and adopts its Human Recourses Related policies.

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The table below depicts the number of total posts, filled and vacant, in each department during the year under review:

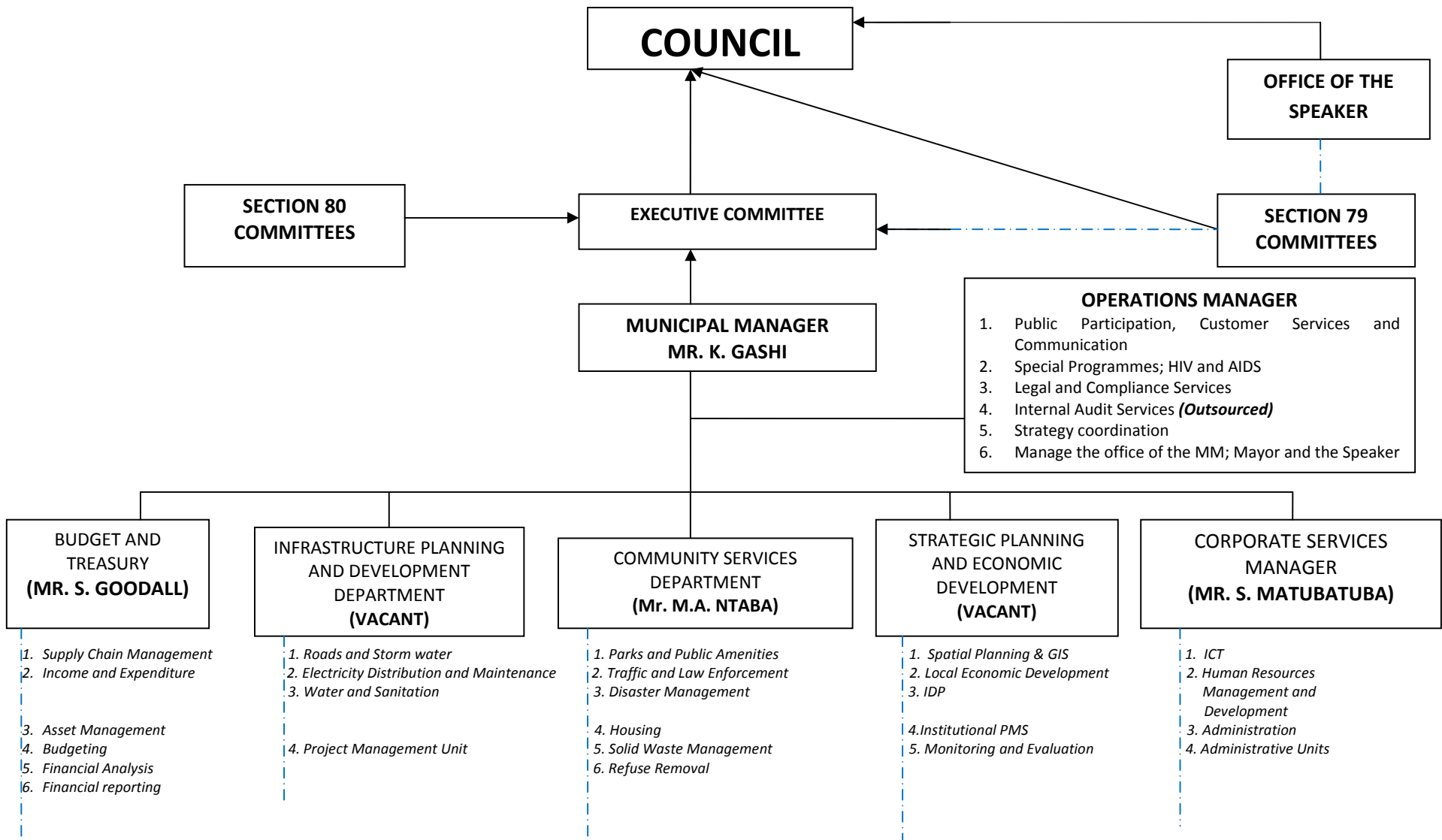
| DEPARTMENT | NO. OF POSTS | NO. OF FILLED POSITIONS | VACANCIES | % of Vacancies |
|---|--------------|-------------------------|-----------|----------------|
| MM's Office | 21 | 15 | 6 | 28, 6% |
| Infrastructure Planning and Development | 77 | 68 | 9 | 11, 7% |
| Budget & Treasury Office | 32 | 21 | 11 | 34, 4% |
| Strategic Planning & Economic Development | 14 | 8 | 6 | 42, 9% |
| Community Services | 113 | 102 | 11 | 9, 7% |
| Corporate Services | 41 | 27 | 14 | 34, 2% |
| TOTAL | 298 | 241 | 57 | 19,1% |

The filling of vacant posts in the organisational structure is done within the available funds on the labour budget.

The structure overleaf denotes only the macro organisational structure as at 30 June 2012 and an approved and comprehensive Municipal Organisational Structure can and will be made available on request.

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1.1.1. THE MACRO ORGANISATIONAL STRUCTURE OF THE MUNICIPALITY AS AT 30 JUNE 2012



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1.1.2. NEW APOINTMENTS DURING THE YEAR UNDER REVIEW

The table below depicts the number of appointments made per department during the year under review.

| POSITION | DEPARTMENT | APPOINTMNET DATE |
|--|---|------------------|
| LED Facilitator: Agriculture | Strategic Planning & Economic Development | 11/07/2011 |
| PMU Manager | Infrastructure Planning & Development | 01/08/2011 |
| Committee Clerk | Corporate Services | 01/08/2011 |
| Plumber | Infrastructure Planning & Development | 08/08/2011 |
| Registry Clerk | Corporate Services | 08/08/2011 |
| Executive Secretary: Mayor & Speaker | Mayor & Speaker's Office | 23/08/2011 |
| Project Coordinator: Job Creation | Infrastructure Planning & Development | 03/10/2011 |
| Tractor Driver: Sanitation | Infrastructure Planning & Development | 05/10/2011 |
| Public Participation Officer | MM's Office | 13/10/2011 |
| Fire & Disaster Officer | Community Services | 01/12/2011 |
| Asset Manager | Finance | 01/12/2011 |
| General Assistant: Road signs & Line Painting | Community Services | 01/12/2011 |
| Municipal Manager | MM's Office | 01/01/2012 |
| 2X Customer Care Consultants | MM's Office | 03/01/2012 |
| 3X General Assistant: Parks | Community Services | 18/01/2012 |
| General Assistant: Refuse | Community Services | 18/01/2012 |
| Expenditure Clerk | Finance | 18/01/2012 |
| Traffic Officer | Community Services | 01/02/2012 |
| Supervisor: Roads & Storm water | Infrastructure Planning & Development | 01/02/2012 |
| Customer Care Consultant | MM's Office | 13/02/2012 |
| ICT Systems Administrator | Corporate Services | 02/04/2012 |
| Manager: Community Services | Community Services | 03/04/2012 |
| General Assistant: Water | Infrastructure Planning & Development | 07/05/2012 |
| General Assistant: Sanitation | Infrastructure Planning & Development | 07/05/2012 |

The total number of employees employed during the year under review was 28 of which ten (10) were female employees making 36% of employees employed and 18 were male employees making 64% of the employees employed. This could be indicative of the non- or improper functioning of the Training and Employment Equity Committee.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The table below depicts the employment summary data for the year under review:

| SUMMARY OF EMPLOYMENT DATA | |
|--|------------|
| Total number of black (African, Coloured, Indian) employees | 235 |
| Black employees as a % of total employees | 98% |
| Total number of women employees | 85 |
| Women employees as a % of total employees | 35% |
| Total employees with Disabilities | 6 |
| Employees with disabilities as a % of total employees | 2% |
| Total employees over 51 | 54 |
| Over 51 employees as a % of total employees | 22% |
| Total employees between 31 & 50 | 113 |
| Employees between 31 & 50 as a % of total employees | 47% |
| Total employees under 30 | 40 |
| Employees under 30 as a % of total employees | 17% |

The table below depicts the profile of the Municipality's workforce as at 30 June 2012.

| OCCUPATIONAL LEVELS | AM | AF | CM | CF | IM | IF | WM | WF | TOTAL |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| Top Management | 1 | | | | | | | | 1 |
| Senior Management | 2 | 1 | | | | | 1 | | 4 |
| Professionally qualified and experienced specialists and mid management | 4 | 5 | | | | | | | 9 |
| Skilled technical and academically qualified workers, junior management; supervisors; superintendents and foremen | 22 | 13 | | | | | 2 | | 37 |
| Semi-skilled and discretionary decision making | 44 | 28 | 2 | | | | 1 | 2 | 77 |
| Unskilled and defined decision making | 74 | 36 | 3 | | | | | | 113 |
| Sub Total | 147 | 83 | 5 | | | | 4 | 2 | 241 |
| TOTAL | 230 | | 5 | | | | 6 | | 241 |
| % Race Group | | | | | | | | | |

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1.2. STAFF DEVELOPMENT INITIATIVES AS AT 30 JUNE 2012

The table below depicts the number of people benefited in skills programme and the type of training attended during the year under review:

| FIELD | NUMBER OF BENEFICIARIES |
|---|-------------------------|
| Corporate Governance and Management Accountant | 1 |
| Employee Wellness Management | 1 |
| Electrical Trade Test | 2 |
| Train the trainer on Service Improvement | 1 |
| Training on Transport and Fleet Management | 1 |
| Training Fire Extinguishing Skills | 13 |
| Finance and Administration Learnership | 3 |
| Performance Management | 2 |
| Municipal Performance Management and Evaluation | 20 |
| Service Standards Charter | 108 |
| Supervisory Skills | 6 |
| Cleaning Skills | 8 |
| Plumbing | 4 |
| Water and Waste Water Treatment | 1 |
| Mentoring and Coaching | 6 |
| ABET | 27 |
| Local Government Accounting Certificate NQF level 3 | 3 |
| Local Government Accounting Certificate NQF level 4 | 3 |
| Municipal Finance Management Programme | 5 |
| CPMD | 3 |
| National Crime Register Training | 1 |
| SDEEF Induction Workshop | 18 |
| Master in Public Administration | 1 |
| Road Maintenance and Repairs | 2 |
| Risk Management | 19 |
| Payday Payroll | 4 |
| Records Management | 1 |
| GRAP and Financial Statements | 2 |
| SEBATA Cashbook | 1 |
| Minute Taking and Report writing | 2 |
| Waste Management Tariff Model | 2 |
| Municipal SCM Bid Committee training | 19 |
| Local Labour Forum workshop | 8 |
| LED Learnership | 1 |
| Presiding and Prosecution | 2 |
| OEDTDP | 2 |
| Computer Skills | 34 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The table below depicts the types of bursaries employees benefited from on during the year under review:

| JOB TITLE | QUALIFICATIONS | INSTITUTION |
|--|--------------------------|-------------|
| IDP/PMS MANAGER | MASTERS DEGREE | MANCOSA |
| SECRETARY TO THE MANAGER INFRASTRUCTURE DEVELOPMENT AND PLANNING | B ADMIN DEGREE | MANCOSA |
| PUBLIC PARTICIPATION OFFICER | ND: PRACTICAL LABOUR LAW | NMMU |

The total amount spent on training and development during the year under review was R 26 280.

1.3. WORKFORCE EDUCATIONAL PROFILE

The table below depicts the educational workforce of the municipality during the year under review:

| OCCUPATIONL CATEGORY | MALE | | | NQF LEVEL | FEMALE | NQF LEVEL | |
|----------------------------|------------|----------|----------|-----------|-----------|-----------|-----|
| | A | C | W | | | A | W |
| Section 57 Managers | 5 | | 1 | 6-8 | | | |
| Professionals | 18 | | | 5-7 | 16 | | 5-7 |
| Technicians | 5 | | 2 | 3-5 | 4 | | 4-5 |
| Clerks | 8 | | 1 | 4-5 | 24 | 2 | 4-5 |
| Service & Sales Workers | 4 | | | 4-5 | 6 | | 4-5 |
| Operators | 31 | | | 1-4 | 1 | | 1-4 |
| General Workers | 76 | 5 | | 1-4 | 32 | | 1-4 |
| TOTAL | 147 | 5 | 4 | | 83 | 2 | |

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1.4. AGE CLASSIFICATION

The table below shows the age classification of staff in terms of race and gender for the year ended 30 June 2012.

| AGE | A | | C | | W | | TOTAL | % |
|--------------|------------|-----------|----------|---|----------|----------|------------|-------------|
| | M | F | M | F | M | F | | |
| 18-35 | 29 | 45 | 0 | 0 | 0 | 0 | 74 | 31% |
| 36-40 | 16 | 10 | 0 | 0 | 1 | 0 | 27 | 11.2% |
| 41-50 | 46 | 20 | 4 | 0 | 2 | 1 | 73 | 30.2% |
| 51-65 | 56 | 8 | 1 | 0 | 1 | 1 | 67 | 28% |
| TOTAL | 147 | 83 | 5 | | 4 | 2 | 241 | 100% |

From the table above, youthful staff members (between 18 – 40 years) constitute 42, 2% of the total workforce. This augurs well for the continuity but may also be problematic since this is a highly mobile workforce.

1.5. STAFF TURNOVER

The following tables depict the staff turnover in the municipality during the year under review:

1.5.2. DEATH

| NAME | DEPARTMENT | DESIGNATION | DATE |
|---------------------|--------------------|-------------------|------------|
| Mfakadolo EN | Community Services | General Assistant | 23/07/2011 |
| Ngxangashe O | Community Services | Supervisor | 02/06/2012 |
| Matiwane N H | Corporate Services | General Assistant | 26/06/2012 |

1.5.3. DISMISSALS

| DEPARTMENT | DESIGNATION | DATE |
|------------|------------------|------------|
| Finance | Stores Assistant | 14/12/2011 |
| Finance | Cashier | 28/05/2012 |

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1.5.1. RESIGNATIONS/RETIREMENT

| NAME | DEPARTMENT | DESIGNATION | REASON | DATE |
|----------------|---|---------------------------|-------------|------------|
| Ntshonga T | Finance | Creditor's Clerk | Resignation | 16/09/2011 |
| Majikijela S G | Infrastructure Planning & Development | Tractor Driver | Resignation | 30/09/2011 |
| Tywabi V G | Corporate Services | ICT Systems Administrator | Resignation | 28/10/2011 |
| Bangiso D | Infrastructure Planning & Development | Driver | Retirement | 31/10/2011 |
| Le Roux C M | Finance | Executive Assistant | Resignation | 15/12/2011 |
| Lerabe T R | Community Services | Law Enforcement Officer | Resignation | 31/12/2011 |
| Nombamba EM | Infrastructure Planning & Development | General Assistant | Retirement | 31/12/2011 |
| Grey S | Finance | Store man | Retirement | 31/01/2012 |
| Ndlaku NM | Strategic Planning & Economic Development | Assistant Manager: LED | Resignation | 10/02/2012 |
| Bili S | Corporate Services | Executive Assistant | Resignation | 05/04/2012 |
| Mqokoyi L | Strategic Planning & Economic Development | Manager: SPED | Resignation | 26/04/2012 |
| Qotoyi CH | Infrastructure Planning & Development | Manager: IPD | Resignation | 30/04/2012 |
| Mayekiso C | MM's Office | HIV/AIDS Coordinator | Resignation | 31/05/2012 |
| Majikijela L | Infrastructure Planning & Development | RPU Superintendent | Resignation | 31/05/2012 |
| Mhlabeni MKWH | Community Services | General Assistant | Retirement | 31/05/2012 |

1.6. PERSONNEL EXPENDITURE

The table below depicts the trends on total personnel expenditure of the past three financial years, viz. 2009/2010 and 2010/2011 and 2011/2012:

| Financial Years | Total number of staff | Total approved personnel budget (salaries) | Actual personnel expenditure (salaries) | % of personnel expenditure actual VS budget |
|-----------------|-----------------------|--|---|---|
| 2009/2010 | 227 | R 44 000 000 | R 35 815 847 | 88, 70% |
| 2010/2011 | 236 | R 45 440 872 | R 39 772 604 | 87, 53% |
| 2011/2012 | 241 | R 40 306 105 | R 39 925 776 | 99, 06% |

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1.7. ORGANISATIONAL STAFF BENEFITS

1.7.1. NUMBER OF MEDICAL AID FUND AND BENEFICIARIES

The tables overleaf depict Medical Aid Administrators and Pension Funds and Beneficiaries during the year under review:

| MEDICAL AID | NUMBER OF MEMBERS |
|--------------------|--------------------------|
| HOSMED | 96 |
| SAMWUMED | 24 |
| BONITAS | 19 |
| LA HEALTH | 17 |
| KEY HEALTH | 1 |
| TOTAL | 157 |

1.7.2. NUMBER OF PENSION FUNDS AND BENEFICIARIES

| PENSION FUND | NUMBER OF MEMBERS |
|-------------------------------------|--------------------------|
| SAMWU National Provident Fund | 171 |
| SALA Pension Fund | 29 |
| Cape Joint Retirement Fund | 20 |
| National Fund for Municipal Workers | 1 |
| TOTAL | 221 |

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1.8. ANNUAL PERFORMANCE INDICATORS IN MUNICIPAL AND ORGANISATIONAL DEVELOPMENT

| Indicator name | Total no. of employees (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year |
|--|---|--|--|
| Vacancy rate for all approved and budgeted posts; | 46 | 29 | 63% |
| Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers) | 1 | 1 | 100% |
| Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY | 6 | 6 | 100% |
| Percentage of Managers in Technical Services with a professional qualification | 4 | 4 | 100% |
| Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term | 241 | 120 | 50% |
| Percentage of councillors who attended a skill development training within the current 5 year term | 34 | 34 | 100% |
| Percentage of staff complement with disability | 6 | 6 | 100% |
| Percentage of female employees | 100 | 85 | 34.48% |
| Percentage of employees that are aged 35 or younger | 241 | 74 | 31 |

CHAPTER 2

BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

2.1. OVERVIEW

This chapter deals with the following areas:

- The Mayor's project called Elundini Mass Job Creation Project
- Project Management Unit;
- Solid Waste Management;
- Water and Sanitation;
- Roads and storm water;
- Electricity;
- Equitable Share;
- ECDC Projects; and
- Housing and Spatial Development

2.2. ELUNDINI MASS JOB CREATION PROJECT (MJC)

As part of the poverty eradication and job creation initiatives, the municipality set aside an amount of R 3 million to rollout the Mass Job Creation Project in the entire municipal area. When the MJC project started in the last financial year, it did not have a dedicated person to manage it and the municipality then revised its Organogramme and a position of a Project Coordinator was created in the PMU Section. The Project Coordinator to manage the MJC project has since been appointed.

This project benefited and focused on the community of Elundini for a period of four months. It focused only on the three municipal towns. The job creation project has been budgeted for the next three financial years i.e. 2011/2012 to 2013/2014. The 2011/2012 budget would be R3 million and the project will be rolled out to the entire municipal area.

The job creation project also seeks to address sustainable service delivery in roads maintenance, solid waste management and greening of towns. During the financial year under review, there was no dedicated person to implement the job creation project; however, the municipality adopted a revised organizational structure which accommodates a dedicated person to manage the job creation project within the PMU.

The municipality participated in the EPWP programme through projects implemented by the infrastructure planning and development and this resulted in the institution benefiting from the incentive grant. The grant was transferred during the year under review and institution has signed the incentive grant agreement.

EPWP reporting is done for all job generating projects to ensure that the municipality benefits from the incentive grant.

The municipality participated in the EPWP programme through projects implemented by the infrastructure planning and development department and the Massive Job Creation Project being the major contributor. This resulted in the institution benefiting from the incentive grant. The municipality had a target of creating 49 FTEs for the financial year under review with an indicative

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EPWP incentive grant allocation of R 510,000.00. The municipality yielded 157 FTEs and was eligible for an incentive grant allocation of R 1,753,000.00, of which part of it had already been paid to the municipality. The balance of the allocation was scheduled to be paid with the 12/13 financial year disbursements

This project commenced on 1 March 2011 to 30 June 2011. The summary of the project is as follows:

| | |
|--|---|
| People employed | 346 (This number subsequently reduced though due to resignations and bereavements) |
| Budget allocation | R 3, 000, 000.00 |
| FTE target | 49 FTEs |
| EPWP Incentive Grant Allocation | R 510, 000.00 |
| FTEs achieved | 157 FTEs |
| Eligible EPWP Incentive Grant | R 1, 753, 000.00 |
| Payment made on salaries | R 2,210,209.83 |
| Project implementation | 25 August 2011 to 16 March 2012 (142 Beneficiaries) |

FTE: Full-Time Equivalent refers to one person-year of employment. One person-year is equivalent to 230 person-days of work. Person-years of employment = Total number of person-days of employment created for targeted labour during the year, divided by 230.

2.3. PROJECT MANAGEMENT UNIT

The unit was established in 2008 and the first business plan approved by COGTA in 2008. PMU funding comes from the MIG wherein 5% of the grant is dedicated for the overall PMU support. The unit had a Project Management Unit Manager, Project Coordinator (Projects and Contracts, Mass Job Creation Coordinator and a Project accountant. A PMU Manager was appointed in June 2011 as well as Project Coordinator: Projects and Contracts. The Project Coordinator: Mass Job Creation was appointed in September 2011. The Project Coordinator: Projects and Contracts resigned in June 2012. It is anticipated that a new Project Coordinator: Contracts and Projects replacing the one resigned will be appointed by September 2012.

This implies that the PMU section will be fully functional since all key positions will be filled. As part of the Project Management Unit guidelines it is a requirement that a Project Management Unit has an Institutional Social Development Officer in its staff complement. The position was not budgeted for in 2011/2012 and in be catered for in financial year 2012/2013.

The PMU business plan for 2011/2012 financial year was submitted and approved. These appointments will improve quality of the infrastructure services rendered to communities as well as community participation. The primary objective for the PMU is to successfully project and contract manage MIG funded projects and other capital projects. The MIG fund was 100% spent in June 2012.

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2.3.1. IMPLEMENTATION OF MIG FOR THE YEAR UNDER REVIEW

This section aims at providing a detailed summary of all activities, challenges, achievements and financials during the implementation of the MIG 2011/2012 financial year.

According to the approved DoRA allocation, the following amounts are allocated to the MIG programme for Elundini Local Municipality for financial years 2009/10 – 2011/12

Municipal Financial Year (July – June) Provincial Financial Year (July- June)

- 2009/2010: R 16,124,000.00
- 2010/2011: R 18,680,000.00
- 2011/2012 R 22,466,000.00

2.3.2. CHALLENGES IN THE IMPLEMENTATION OF MIG

- MIG allocation does not address all ELM's infrastructural backlogs

2.3.3. ACHIEVEMENTS IN THE IMPLEMENTATION OF MIG

- All the projects implemented were completed in time without having community related challenges and the community benefited from all of them in terms of job creation, and offered a basic (but sustainable) level of service.
- All the MIG allocation was spent in full within the financial year (end June 2012).
- The entire projects were implemented within the MIG conditions and the municipality managed to use SMME's and local labourers.
- In some of the projects, local labourers received training but the municipality plans to create more training opportunities in the next financial year 2012/13. Labour intensive construction methods were utilized, but full compliance with the EPWP principles still needs to be adopted. A more proactive role of the EPWP, SMME and HR units is required.
- Multi-year planning was done successfully and a smooth transfer in financial years has been done.

2.3.4. CONDITIONS APPLIED TO MIG

MIG is a conditional grant. Conditions were applied to ensure that municipalities appropriately address the objectives and parameters of this policy statement. The conditions seek to avoid placing an undue burden of compliance on municipalities. Some of the cross-cutting conditions included:

Conformity with IDP's: No MIG funds may be spent outside the framework of a municipality's pre-existing IDP and its approved budget. The IDP's should be based on the provision of a basic package of services to the poor, appropriate services levels, financial sustainability and the existence of adequate organizational capacity. The MIG did however, allow for the continuance of previously approved CMIP projects, which has been phased out by the end of FY 2005/06.

Poverty Alleviation: It is important for the economic spin-offs of infrastructure delivery to be maximized. This relates primarily to temporary and permanent job creation arising for municipal infrastructure investment. This condition will be associated with national government's 'Expanded Public Works Programme' (EPWP) Labour Intensive Construction (LIC) initiative.

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Registration of MIG Project Business Plan: All projects to be funded with MIG funds, wholly or partially, must have a project business plan which conforms with requirements to be established for the MIG programme and which must be registered on the national MIG database before the award of contracts for construction commences. In some cases, the relevant sector department may request a detailed technical report (similar to a Feasibility Study) to support the MIG Project Registration Form. This will be conditional to the registration of the MIG business plan by DPLG.

Elundini Municipality was allocated funds to implement this programme (MIG) and had to meet all the conditions to enable access to the MIG funds. The programme required to establish a management structure (Project Management Unit - PMU) for the dedicated implementation of MIG (and/or other infrastructure projects), produce all the necessary reports monthly, attend all the provincial coordination meetings, and meet all other duties and responsibilities as set out in “Roles and Responsibilities of Municipalities and PMUs in the Management, Administration and Implementation of the MIG Programme”.

2.3.5. MIG PROJECTS FOR 2011/12

The ELM submitted MIG business plans for 2011/2012 to a total value of R 22, 466, 000. 00 and it was approved by the Municipality and National.

In accordance with the MIG formulae and guidelines, the organizational vision, the executive strategic direction, the backlog estimates and the limited financial resources, the following projects have been selected and are recommended to be implemented during FY 2011/12:

Total Municipal allocation (MTIEF 2011/12): R 22,466,000.00 for period 1 July 2011 – 30 June 2012

| COMMITTED PROJECTS: | EXPENDITURE 1/7/2011 31/12/2011 | TO | EXPENDITURE 1/1/2012 30/06/2012 | TO |
|---|---------------------------------------|----|---------------------------------------|----|
| PMU | R 479,378.96 | | R 643,921.04 | |
| Mangoloaneng Access Road | R 3,812,645.72 | | R355,577.29 | |
| Moroga To Sophonia Access Road | R3,961,021.70 | | R0.00 | |
| Matugulo Via Tsikarong Access Road | R 22,583.40 | | R0.00 | |
| Maclear Town Hall | R219,370.10 | | R 55,477.11 | |
| Tinana Access Road | R 68,386.36 | | R0.00 | |
| Nxotshana Access Road | R98,860.50 | | R0.00 | |
| Ntabelanga Access Road | R 79,110.56 | | R0.00 | |
| Construction of Ugie Streets | | | R 7,212,620.87 | |
| Ward 1,5 and 6 | | | R 37,566.68 | |
| Mahanyaneng Access Road | R155,342.25 | | R0.00 | |
| Mt Fletcher Access Road | R 94,299.00 | | R32,234.50 | |
| Mt Fletcher Town Hall | | | R 26,128.37 | |
| Upper Tokoana Access Road | | | R 4,285,381.73 | |
| Dengwane Access Road | | | R299,043.66 | |
| Mt Fletcher Sport field | | | R 561,940.49 | |
| Sub-Total | R 8,990,998.55 | | R 13,509,891.74 | |

Elundini Municipality has succeeded to spend adequately against the MIG program for 2011/12, despite some constraints and delays. The expenditure rate increased from 40% in December 2011

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to 100% by end June 2012. However, cognisance must be taken of the key issues to be addressed to expedite service delivery and execution of MIG. The Municipality's IDP's has been approved, which is a key requirement to the approval of MIG projects by National office.

2.4. SOLID WASTE MANAGEMENT

2.4.1. WASTE MANAGEMENT SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

Elundini local municipality is responsible for the collection of solid waste among all citizens including but not limited to business and government institutions while the district municipality must assist in terms of capacity building and waste related infrastructural especially when regional waste management strategies are to be implemented.

The advent of the new National Waste Management Act of 2008 and its National Waste Management Strategy signals an important shift in the manner in which solid waste must be managed across all municipalities. This legislation among others places increasing emphasis on minimization as well as recycling strategies in solid waste management rather than relying merely on final disposal as an end of pipe solution.

The Joe Gqabi District Municipality approved a district wide Integrated Waste Management Plan (IWMP) during 2004 which has a dedicated chapter on Elundini. The plan outlines a number of projects and programmes that the municipality needed to implement as part of a turnaround in waste management. There is still a lot of room for improvement in this regard as some of the important projects in the plan are already underway, such as the flagship PPP partnership agreement for the management of Ugie and Mt Fletcher waste disposal sites.

The current plan however needs updating as it is more than four (4) years old now to ensure that not only new projects are integrated therein but also to keep track of projects that may not at this stage be feasible to implement anymore for various reasons.

Important achievements so far include the creation of a dedicated unit dealing with waste management services and proper staffing thereof. The lead department on environmental issues (DEA) together with its strategic partners has also committed investments in infrastructure through planned erection of the Materials Recovery Facility (MRF) in Ugie and Transfer Stations in Maclear and Mt. Fletcher respectively. When complete these structures will help facilitate the sorting and recycling of waste in order to comply with the new Act.

Public area cleansing remains one of the key challenges as far as maintenance of clean streets is concerned. However, the installation of street litter bins as an effective means of controlling litter has recently been concluded in Maclear allowing rollout to Ugie and Mt. Fletcher towns.

There have recently been attempts to identify and encourage local Recycling stakeholders to form strategic partnerships with the municipality in order to join hands in tackling waste challenges confronting the municipality.

There are various other waste management programmes initiated by partner departments such as Public Works and COGTA which the municipality also participate in as part of its intergovernmental agenda.

2.4.2. LEVELS AND STANDARDS IN WASTE MANAGEMENT SERVICES

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Waste collection services are rendered throughout all urban centres in all three towns and their peri urban areas such as township establishments. Despite the National policy implications requiring municipalities to provide basic refuse removal services to all, it has not been possible yet to extend the service to the rural parts of the municipality for various valid reasons as will be discussed under **challenges**, below.

Both urban and township residences receive a weekly kerb collection service with the exception of business where refuse gets collected on a daily basis.

Street sweeping and cleaning of public areas is also done on a more regular basis daily using cleaning teams. The effectiveness of these teams has been strengthened so far by the addition of staff from the Mass Job Creation project of the municipality.

The current service levels and standards for waste services rendered are due to prevailing socio-economic realities in the area but should be improved and extended in the foreseeable future.

2.4.3. MAJOR CHALLENGES IN WASTE MANAGEMENT SERVICES AND REMEDIAL ACTIONS

Major challenges are in the area of planning and therefore the need to have the IWMP reviewed. This will help accommodate newly developed projects and programmes so as to make the plan relevant to both the IDP and budget as far practicable as possible. Other current and foreseeable challenges include the following:

- ✓ Making full and efficient use of the recently acquired refuse compactor truck (REL). This is the important area for consideration since most serviceable areas have topographical challenges and therefore cannot be accessed by using the truck. It is important to ensure therefore that the transfer facilities to be serviced by the truck are fully ready for use ahead of the arrival of the REL.
- ✓ Alternatives must be sought for high density areas which owing to road conditions are not easily serviceable by the available tractor/trailer combinations. Such could range from making use of one man contracts etc. as recommended in the district IWMP.
- ✓ Failure to provide collection services to rural areas is a continuing challenge considering the amount of resources required to do so. This may require budget increase in the indigent allocation and prioritisation in the current service department.
- ✓ Collection methods for business undertakings that have better affordability levels is another area to be explored as this is one of the sections where revenue collection can be enhanced. At present the effort and resources put into collection in shops and supermarkets does not correspond to the monthly user charge. Various models exist to implement these methods.
- ✓ Public cleansing in the main is crippled by staff shortages and due to other factors such as the ailing workforce which is not suited to performing work that require physical labour.

2.5. WATER AND SANITATION

The ELM was a water services provider responsible for operations and maintenance of bulk infrastructure and reticulation in Maclear and Mt Fletcher, and reticulation only in Ugie. The municipality was also responsible for water purification. Ugie bulk and purification was the responsibility of the district municipality. Rural water and sanitation was also the responsibility of the district municipality.

2.5.1. WATER PROVISION

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The District Municipality is the Water Services Authority for the entire district and water services provider in the rural areas of Elundini. The Elundini Municipality is a Water Service Provider for the urban areas. The district is in the process of taking over all bulk infrastructure. Elundini Municipality will continue to operate and maintain water reticulation system.

In Ugie, the major water supply challenges relate to insufficient capacity in the bulk infrastructure and the continual maintenance requirements of dilapidated infrastructure (asbestos pipes). There are no storage reservoirs for Ugie to respond to emergencies. There is newly installed water reticulation system which is not connected to properties. This implies that the old infrastructure is still in operation.

Maclear has insufficient capacity in the bulk storage and purification system to allow for additional housing, office and institutional development. Despite there being additional land available for housing expansion, this area cannot be developed until bulk capacity is increased. A Water Master Plan is required for Maclear and the District Municipality is addressing this matter.

Mount Fletcher Regional Water Supply Scheme is in progress with a completed dam and water treatment plant. There is storage reservoir as part of the regional scheme. The water supply scheme will benefit 24 villages.

The provision of water in the majority areas of the municipality, particularly the rural areas, has always been a problem because of the rural nature of the areas and the costs it involved in providing the service.

In 2010, the JGDM then lodged a funding application with the Government of Netherlands for the provisioning of water infrastructure to 107 villages in the Elundini Municipality. The JGDM has since confirmed that the funding application has been successful and the project will be implemented over the next 4 years from June 2012.

The provision of new water infrastructure for 107 villages in the rural areas of Elundini Municipality results from the backlog in the provision of water infrastructure and it will address the need for water for the existing inhabitants of the area. The lack of sufficient water infrastructure for all the villages in the rural areas of Elundini has been identified as a priority on the technical priority list of the JGDM. The programme for rolling out of water in the identified wards will be for a period of 5 years.

From the Water Services Master Plan compiled for the rural areas of Elundini Municipality, the problems identified for the provision of water can be summarised as follows:

Of the 206 villages in rural areas of Elundini Municipality, 107 villages do not have sustainable and safe water;

In these 107 villages more than 54 750 residents (9 120 households) still get their drinking water from the sources such as unprotected springs and rivers;

For these 107 villages the water sources still need to be identified and equipped. Thereafter complete water supply system need to be installed.

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The table below represents the wards and villages to benefit the programme of water provision:

| WARDS | NO OF VILLAGES |
|-------|----------------|
| 1 | 12 |
| 4 | 6 |
| 5 | 9 |
| 6 | 6 |
| 7 | 11 |
| 8 | 6 |
| 10 | 6 |
| 11 | 8 |
| 12 | 4 |
| 13 | 1 |
| 14 | 12 |
| 15 | 8 |
| 16 | 18 |

Please note that the business plan for the provisioning of water infrastructure was developed in 2010 whilst the municipality still had 16 wards. Some of the beneficiary villages under this programme that belong to ward 17 (e.g. Mbidlana, Gqaqhala) are included under the wards in which they were previously demarcated.

2.5.2. SANITATION PROVISION

In terms of powers and functions, the provision of water and sanitation to rural areas is the function of JGDM and the Elundini Municipality is the provider in urban centres of Maclear, Ugie and Mt. Fletcher.

Bucket eradication was completed and replaced by VIPs and water borne sanitation in all urban townships. There is a need to upgrade the entire sewerage system to water borne system since the VIPs a health hazard particularly in a densely populated area.

In Maclear there is a Wastewater Treatment Plant which is under-utilized because there is no waterborne sewerage system as it only serves few customers. There is a need to connect all areas to the treatment plant. There are oxidation ponds in Maclear which also need to be connected to the wastewater treatment plant as they overflow to the river during rainy seasons.

The JGDM is rolling out the rural sanitation programme and the progress is as follows:

| WARD | COMPLETED HANDED OVER STRUCTURES |
|-------------------------|----------------------------------|
| Ward 6 | 2966 |
| Ward 8 | 1125 |
| Ward 13 | 1056 |
| Ward 16 | 910 |
| Ward 5 | 1915 |
| Ward 4 | 1154 |
| Ward 14 | 1608 |
| TOTAL STRUCTURES | 10 734 |

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A concrete slab manufacturing plant will be established in Mount Fletcher, ward 09. There is no waste water treatment plant in Mount Fletcher. In Ugie and Maclear there are currently shared septic tanks which are difficult to manage and need to be connected to the closely located waste water treatment plants.

Major challenges facing the municipality in carrying out the service were:

- ✓ Insufficient water sources in Maclear and Ugie. Mount Fletcher has a newly constructed dam and treatment plant and it was commissioned in September 2011 and is currently supplying town.
- ✓ In Maclear, there is an old package treatment plant which result in poor water quality at times due to limited capacity, shortage in qualified and experienced personnel. The design capacity for the package plants is far exceeded and this is contributing to the compromised water quality at times.
- ✓ Provision of services to invaded land e.g. Polar Park in Maclear.
- ✓ Shortage of qualified process controllers in the water treatment plant and waste water treatment plant
- ✓ Maclear do not have storage reservoirs which poses a serious threat. This leads to poor maintenance of the reservoirs and non-availability of water from time to time.
- ✓ There are overflowing sewerage ponds in Maclear which can be resolved by pumping and diverting the flow to the recently completed waste water treatment plant. Vincent also needs to be connected to eliminate unnecessary overflowing conservancy tanks.
- ✓ In Greenfields, there are frequent pipe blockages in the sewerage system.
- ✓ Treatment Plants not manned for 24 hours, three process controllers have resigned, and that has created a huge gap on the existing shortage of qualified process controllers.
- ✓ Population growth and high water demand on constrained water supply system.
- ✓ High water losses from the RDP houses due to poor plumbing
- ✓ The district Municipality has approved budget of R95million for the up grading of water supply for Maclear
- ✓ It has always been a major challenge to plan the maintenance of the mixed old distribution system e.g. asbestos UPVC and steel pipes.

Water quality monitoring at the water treatment works in Ugie and Maclear was carried out two hourly for testing turbidity, pH and the chlorine. In Mount Fletcher test were taken daily to check chlorine. From the test, water boil notices were issued each time the results showed ecoli.

2.6. ROADS AND STORMWATER

Construction of roads was primarily funded by the Municipal Infrastructure Grant which was spent 100%. The following road projects were implemented including community facilities:

| Ward no | Project name | Length | Status at 30 June 2012 |
|----------------|---|---------------|--|
| 12 | Construction of Mahanyaneng Access Road | 4.7km | Complete but bridge approaches were washed away during the heavy rains. |
| 2 | Rehabilitation of Ugie streets - Ntokozweni | 5km | Tender stage – project awaiting a court judgement |
| 9,15 | Access Road & Bridge Lehana High School | 4.7km | Complete |
| 9 | Mount Fletcher access road | 4.7km | Practically complete. Service providers were terminated due to poor performance. |

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| | | | |
|-----------|--|-------|--|
| 4 | Alterations and Renovations to Maclear Town Hall | 1 | complete |
| 12 | Mangoloaneng access road | 10km | Under construction |
| 4 | T83 to Matugulo via Tsikarong | 6.9km | Complete |
| 7 | Maroqa to Sophonia (later extended from R56 to Maroqa) | 21km | 10km complete, 11km commenced in August 2011 |
| 9 | Upgrading of Mount Fletcher sports field | 1 | Tender stage |
| 11 | Dengwane access road | 7km | Tender stage |

The maintenance team is continuously doing pothole patching and dry blading.

There were two ECDC funded roads and storm water projects in Ugie. The projects are as follows:

| Ward no | Project name | Status at 30 June 2011 |
|----------------|--|---|
| 2 | Truck stop roads and storm water | Under construction, progressing well. |
| 17 | Completion of roads and storm water at Prentjiesberg | The contractor was appointed and after that the project was on hold following a high court order. |

2.7. ELECTRICITY

The municipality has a distribution license, issued by National Energy Regulator South Africa (NERSA), to supply electricity in the urban areas of Maclear and Ugie, with some small section of these towns supplied by Eskom. The rest of the Elundini Municipal area mostly rural except the town of Mt Fletcher is supplied by Eskom. The municipality is responsible for the electrification of the areas under their licensed area as well as Eskom.

2.7.1. ELECTRIFICATION

The municipality applied for funding for 150 houses in Maclear, Greenfields area from the Department of Energy (DoE) during the 2011/12 financial year. An amount of R1 000 000.00 was approved by the DoE.

Electrical engineering consultants were appointed in Aug 2011 for the design of the electrification project. The design was made available, approved by the Municipal Council in January 2012 and contractor for the construction of the works was appointed in June 2012. The work is currently under construction and is expected to be completed by end September 2012.

2.7.2. PROJECTS

2.7.2.1. PEER REVIEW

The municipality took a decision to evaluate the designs and implementation of past and present electrical projects. The following projects were taken into consideration:

- Maclear Electrical Master Plan
- Maclear Substation
- Ugie Electrical Master Plan
- Ugie High Mast Lights

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Electrical engineering consultants were appointed to execute a review on the performance of these projects, benefits thereof and what can be learnt from these projects.

2.7.2.2. REDUCTION OF ELECTRICITY DISTRIBUTION LOSSES

The municipality allocated R 2 385 000.00 to implement the strategy for the reduction electricity distribution losses. The project was aiming at several interventions that were identified in the strategy for the effective reduction of the electricity distribution losses. The focus areas were:

- Replacement of Faulty Meters in Ugie

One of the areas, of about 300 houses electrified at the early stages in Ugie Township had meters that were faulty and customers were consuming electricity that was not accounted for. A contractor was appointed to replace the faulty meters and the project was completed end June 2012.

- Audit and Replacement of Electricity Meters in Ugie and Maclear

Due to corrupt meter and customer information and tampering of meters it was necessary to do a door to door survey of all meter installation. The aim was to identify tampered meters and collect information that will be used to clean data on the vending and billing system. Correct data can be used to easily identify where electricity losses are occurring.

Other interventions included training of staff in metering; installation of equipment on the network to detect where losses occur; formation of additional unit within the electricity section focusing on revenue protection.

2.7.2.2. NETWORK MINOR EXTENTIONS AND UPGRADES

From time to time the municipality receives applications for new electricity connection service. After investigating it is found that there is no existing network to connect the customers. Two of these extension were done in Sithole area of Maclear at the cost of R 120 000.00 for the construction of the works.

Due to additional loading of the network a section of cable feed from Pote Street transformer was overloaded. Some of the business in Van Riebeck Street were diverted from the overloaded network and a cable installed to feed these from the Church mini substation at the cost of R 162 750.00.

The section of overhead line feeding from the ESKOM feed point to Ugie townships and Truck stop kept breaking because of the small size of the conductor. The conductor length of about 400 meters was replaced at a cost of R 115 565.00

2.7.3. MAINTENANCE

Annual scheduled inspections were conducted on the existing network to identified defects that can lead to power failures and what maintenance was required. Defects were prioritised based on the available budget and urgency of the defect depending on the effect it will have. A budget of R 212 000.00 was allocated for maintenance during the 2011/12 financial year.

At Maclear substation 5Mva transformer-2 was leaking oil. The leak was repaired in Dec 2011 by the contractor that was appointed for building the substation under retention.

With the arrival of the cherry-picker in August 2011, maintenance of streetlights was done by the municipal staff instead of getting external contractors.

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2.8. EQUITABLE SHARE PROJECTS FOR 2011/12

| PROJECT DESCRIPTION | CONTRACT AWARD VALUE | EXPENDITURE TOTAL | BALANCE ON CONTRACT VALUE | PROJECT STATUS |
|---------------------------|-----------------------|---------------------|---------------------------|------------------------|
| Municipal Offices phase 2 | R 1 216 153.14 | R 497 322.72 | R 718 830.42 | 41% Under Construction |
| TOTALS | R 1 216 153.14 | R 497 322.72 | R 718 830.42 | |

2.9. ECDC FUNDED PROJECTS FOR 2011/12

| PROJECT DESCRIPTION | CONTRACT AWARD VALUE | EXPENDITURE TOTAL | BALANCE ON CONTRACT VALUE | PROJECT STATUS |
|---------------------------------------|------------------------|------------------------|---------------------------|-------------------------------------|
| Ugie Electricity Master Plan | R 18 422 353.78 | R 17 526 676.14 | R 895 677.64 | 95% expenditure. Retention Stage |
| Ugie High Mast Lights | R 9 185 996.41 | R 8 578 864.76 | R 607 131.65 | 93% expenditure. Retention Stage |
| Ugie Truck Stop (Roads & Storm water) | R 9 171 868.50 | R 7 942 594.91 | R 1 229 273.59 | 87% expenditure. Retention Stage |
| Prentjiesberg (Roads & Storm water) | R 6 332 817.00 | R 1 312 484.63 | R 5 020 332.76 | 28% expenditure. Under Construction |
| TOTALS | R 43 113 035.69 | R 35 360 620.44 | R 7 752 415.25 | |

2.10. HOUSING

2.10.1. FUNDING APPLICATION FOR PROFESSIONAL SERVICES – ELUNDINI HOUSING DEVELOPMENT

On 8 November, 2011 funding application for professional services for the proposed 2400 Tembeni Housing Project was submitted with the Department of Human Settlements. The Department then suggested that a scoping exercise for the whole of Elundini Bulk Infrastructure should be undertaken through the appointment of consultants. On 9 October, 2012 another application was submitted for the scoping exercise which was approved on 29 October, 2012 and Bigen Africa Consulting was appointed to carry out the scoping exercise which includes the feasibility study for the proposed Tembeni Housing Project and this is already taking place. The funding approved amounts to R1 245 450.00

2.10.2 MACLEAR 250 UNITS

This is a blocked project dating back to 2000. After a long discussion with the DoHS, in August 2012, the Department started procurement processes to reinstate the project and on 11 January 2013, the site handing over of the Maclear 250 was conducted and the building of houses will commence on 28 January 2013.

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2.10.3. THREE RURAL HOUSING PROJECTS: NGCELE 500, KATKOP 500 AND MANGOLOANENG EAST 365

The application for the approval of the three aforementioned projects was initiated in October, 2010 and all facilitation processes were finalised. The Department drafted tender documents sometime in April 2012 and on the 16th of November 2012, there was briefing on the three projects held in Maclear and tender documents issued on the same day and closed on 23 of November 2012. We are now awaiting the adjudication and appointment of a service provider (Developer) to commence with the construction of 250 housing units in Maclear.

Joe Gqabi Development Agency has met with the Elundini Municipality to iron out the process of having housing development for the middle income group within the 90 Ha of land donated by PG Bison and also to look at the building of Rental Housing on the Ugie 120 serviced sites.

2.10.1. SPATIAL PLANNING

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

In terms of Section 26 (e) of the Municipal Systems Act (Act no. 32 of 2000), the Spatial Development Framework is a legally required component of the IDP. The SDF therefore has the status of a statutory plan, and serves to guide and inform all decisions made by the Municipal Council on spatial development and land use management in the Elundini Municipality.

This document represents a Review of the 1st generation Elundini SDF and it is intended to align with and inform the present term of office of the Council elected in 2011.

The context of the Review is as follows:

- The investment in Elundini in the timber industry and resulting auxiliary services together with the upgrade and construction of key access roads has created development pressure on the urban centres of Elundini, in particularly the towns.
- Along with attempting to manage this pressure by providing guidelines for settlement growth and development needs of the urban areas, the Spatial Development Framework must also provide guidance on where best to direct resources in upgrading the rural settlements.
- The Spatial Development framework also aims to highlights areas where strategic development intervention is required (areas of particular development potential and/or areas where current development activities represent a development opportunity). Such intervention would, in prospect, include necessary investment in infrastructure networks in order to enable additional development in areas where development pressures are being felt but where services cannot presently be provided.

The Spatial Development Framework has:-

- Identified main nodes of activity and development potential in the urban and rural areas, while supporting equitable protection of rights to and in land.
- Identified key spatial development issues and promote sustainable land usage.
- Formulated key principles of spatial development and restructure spatially inefficient settlements.
- Set out broad development scenarios

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- Achieved alignment with the National Spatial Development Framework, the Provincial Spatial Development Plan (2003) and set out development priorities spatially.

Lastly but not least, the Spatial Development Plan enshrines formulation of management principles and criteria for spatial development decisions, prioritize key actions for implementation and guide investment decisions.

(b) Land Use Management and Zoning Information

Reportedly, the Land Use Management Bill (draft of May 2007) is intended ultimately to replace the Physical Planning Acts and other land use and spatial planning Acts and Ordinances. The goal of the Bill (once enacted by Parliament) is to provide a legislative and policy framework that enables government, and especially local government, to formulate policies, plans and strategies for land-use and land development that address, confront and resolve the spatial, economic, social and environmental problems of the country.

It is anticipated that the forthcoming Land Use Management Bill and the Municipal Systems Act together will form a comprehensive framework for local authorities embarking on Integrated Development Planning. The Bill will also provide the framework necessary for the land development activities of all sectors and spheres of government and the private sector to be properly planned, taking into account the overarching development needs of society.

During the year under review the following has been achieved:

| Plan No | Town | Date approved | Erf No | Owner | Floor Area (Res m ²) | Floor Area (Bus m ²) | Floor area veranda | App fee | Zoning | classification |
|---------|--------------|---------------|--------|-----------------|----------------------------------|----------------------------------|--------------------|-------------|--------------|--------------------|
| 1 | Maclear | 10/09/11 | 2081 | D. Van Den Berg | 298 | | | R 2 145. 03 | Res Zone 1 | Dwelling |
| 2 | Maclear | 13/10/11 | 3526 | PG Harvey | | 632 | 107 | R 4 113. 51 | Bus Zone 1 | Retail shops |
| 3 | Ugie | 24/10/11 | 2510 | Ugie Milk Depot | | 610 | | R 3 749. 08 | Bus Zone 1 | Retail shops |
| 4 | Ugie | 21/11/11 | 3497 | Gcwabe | 239.4 | | | R 1 843. 86 | Res Zone 1 | Dwelling |
| 5 | Maclear | 12/12/11 | 2332 | S. Tshiki | 78.8 | | | R 1 018. 08 | Res Zone 1 | Dwelling |
| 6 | Maclear | 20/01/12 | Rural | Somerville | | | | No charge | Agricultural | Upgrade on network |
| 7 | Maclear | 23/01/12 | 2503 | D De Kock | 88. 6 | | | R 1 068. 47 | Res Zone 1 | Flats |
| 8 | Maclear | 27/01/12 | 249 | P Tshaka | 317 | | | R 2 242. 71 | Res Zone 1 | Dwelling |
| 9 | Mt. Fletcher | 13/02/12 | 271 | TK Mbobo | | 427 | | R 2 982. 35 | Bus Zone 1 | Retail shops |
| 10 | Maclear | 07/02/12 | 191 | A Coetzee | 284 | | | R 1 955. 70 | Res Zone 1 | Flats |
| 11 | Maclear | 12/03/12 | 2093 | M Sephton | 289 | | | R 2 098. 76 | Res Zone 1 | Dwelling |
| 12 | Ugie | 29/03/12 | 552 | T Mabodla | 332 | | | R 2 319. 83 | Res Zone 1 | Dwelling |
| 13 | Ugie | 09/05/12 | 1086 | G Kaschula | | 607.5 | | R 3 733. 66 | Bus Zone 1 | Retail shops |
| 14 | Maclear | 06/06/12 | 2122 | DR Sharply | | 430 | | R 2 998. 73 | Bus Zone 1 | Retail shops |

(c) (i) Major Challenges in spatial planning services and remedial actions.

- Inability to attract and retain spatial planning professionals; presumably due to the remoteness of Elundini and financial constraints.
- Land invasion keeps on mushrooming in the urban fringes of Maclear and Mount Fletcher.
- Unavailability of land for development coupled with lack of bulk infrastructure services cripple and retard development particularly in Maclear urban areas.

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- The dispersed nature of households and settlement patterns, characterised by huge infrastructure backlogs in the rural areas is a major development set back.
- All the above mentioned challenges lead to inability to attract investors to Elundini, consequently no serious investments respond to calls for land use proposals.
- Environmental impact analysis and formalization of informal settlements take very long time to materialise.
- Lack of funding of planning related projects
- Expediency in communicating council resolutions is lacking
- Inadequate means to implement the relevant legislation due to the absence of law enforcement
- The establishment of the GIS program needs all sub departments to contribute and communicate.

(ii) Remedial Actions

- Subject to available funding the relevant profession will be appointed for the duration of the proposed project.
- Continue to take legal action against land invaders- and make budgetary provision for this issue.
- Continue to engage neighbouring farmers, land owners and custodians to release land for development. This endeavour should be supported by the Department of Rural Development and Land Reform.
- Continue to implement Rural Development Strategy in collaboration with all spheres of government and all other relevant stakeholders responsible for its development pillars.
- Escalate to Local Government MUNIMEC the urgency of expediting land development applications submitted to them in terms of Ordinance 33 of 1934.
- Lobby for more funds for this function.
- Encourage prompt and expeditious communication of Council Resolutions.
- Implementation of the IMIS, GIS based procedural system.

CHAPTER 3

MUNICIPAL LOCAL ECONOMIC DEVELOPMENT

The municipality has made a contribution in enhancing its economic development through the key strategic areas such as construction, manufacturing, forestry development, tourism development and SMME development generally.

3.1. IMPACT OF THE CONSTRUCTION INDUSTRY AT ELUNDINI MUNICIPALITY

GDP: CONSTRUCTION INDUSTRY CONTRIBUTION

| Year | Direct | Indirect | Induce | Total |
|--------------|---------------|-----------------|---------------|--------------|
| 2010 | 3.94 | R 2.15 | R 0.88 | R 6.96 |
| 2011 | 1.44 | R 2.12 | R 0.77 | R 4.33 |
| 2012 | 4.64 | R 5.77 | R 2.26 | R 12.67 |
| Total | 12.2 | 10.2 | 3.91 | 23.96 |

(Rand per Million)

The table above reflects the GDP, which is the total sum of wage income and profits generated at Elundini local municipality through construction during the years mentioned. The R12, 2 million which is 50,9, % is an income generated from the construction linked directly to P.G Bison projects during the years, whilst R13, 76 which 49.08 is from construction projects which are indirectly linked or induced by P.G bison in the same years. 150 jobs have been created in the construction industry in 2011 and 2012.

The municipality seeks to attract more economic development linked infrastructure in the area in the next five year (2012-2017) through the partnerships with provincial and national government so as to increase the level of construction in the areas and thereby increasing number of local jobs created.

3.1.1. CHALLENGES

- ✓ State of readiness of local contractors to respond to the opportunities

3.1.2. REMEDIAL ACTION

- ✓ The municipality will partners with private sector to improve the status core moving forward

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3.2. IMPACT OF MANUFACTURING SECTOR AT ELUNDINI MUNICIPALITY

GGP: MANUFACTURING SECTOR CONTRIBUTION

| Year | Direct | Indirect | Induce | Total |
|-------|--------|----------|--------|--------|
| 2010 | 55.84 | 70.91 | 39.48 | 166.23 |
| 2011 | 58.81 | 74.56 | 41.69 | 175.07 |
| 2012 | 65.98 | 85.63 | 45.75 | 197.36 |
| Total | 180.63 | 231.1 | 126.92 | 538.66 |

As far as manufacturing is concerned, P.G Bison contributed R180 million which is 33.5% to the GGP during 2010-2012 whilst R358.08 million which 66.5% is from businesses indirect linked or induced by P.G bison. The municipality aims for more manufacturing plants in the area in the next five years.

3.2.1. CHALLENGE

- ✓ Limited land to allow investment projects to increase the level of manufacturing sector.

3.2.2. REMEDIAL ACTION

- ✓ Effective use of the available land, where more sustainable investment are allowed.
- ✓ More investment project will be planned in year 2012-2013, so that they can be implemented in 2013-2014 moving forward.

3.3. FORESTRY DEVELOPMENT

Expansion of forestry development is one of the strategic focus areas of the municipality in the medium term 2012-2017. The feasibility study done in forestry development in Elundini in 2010-2011, reflected 8 communities with potential for forestry development such as follows:

| | COMMUNITY | CHIEF | ROUGH AREA | SOIL SURVEY / EIA |
|-------|----------------|--------------|------------|-------------------|
| 1. | Katkop | Moshoeshoe | 153 Ha | Soil survey |
| 2. | Chevy Chase | Lehana | 610 Ha | Soil survey |
| 3. | Bethania | Lehana | 1200Ha | EIA |
| 4. | Black Fountain | Skhafungana | 1000Ha | EIA |
| 5. | Nxaxa | Mehlamakhulu | ±500Ha* | No |
| 6. | Tinana | Zibi | ±500Ha* | No |
| 7. | Ntywenka | Mabandla | ±500Ha* | No |
| 8. | Etwa | | ±500Ha* | No |
| TOTAL | | | ± 4963 Ha | |

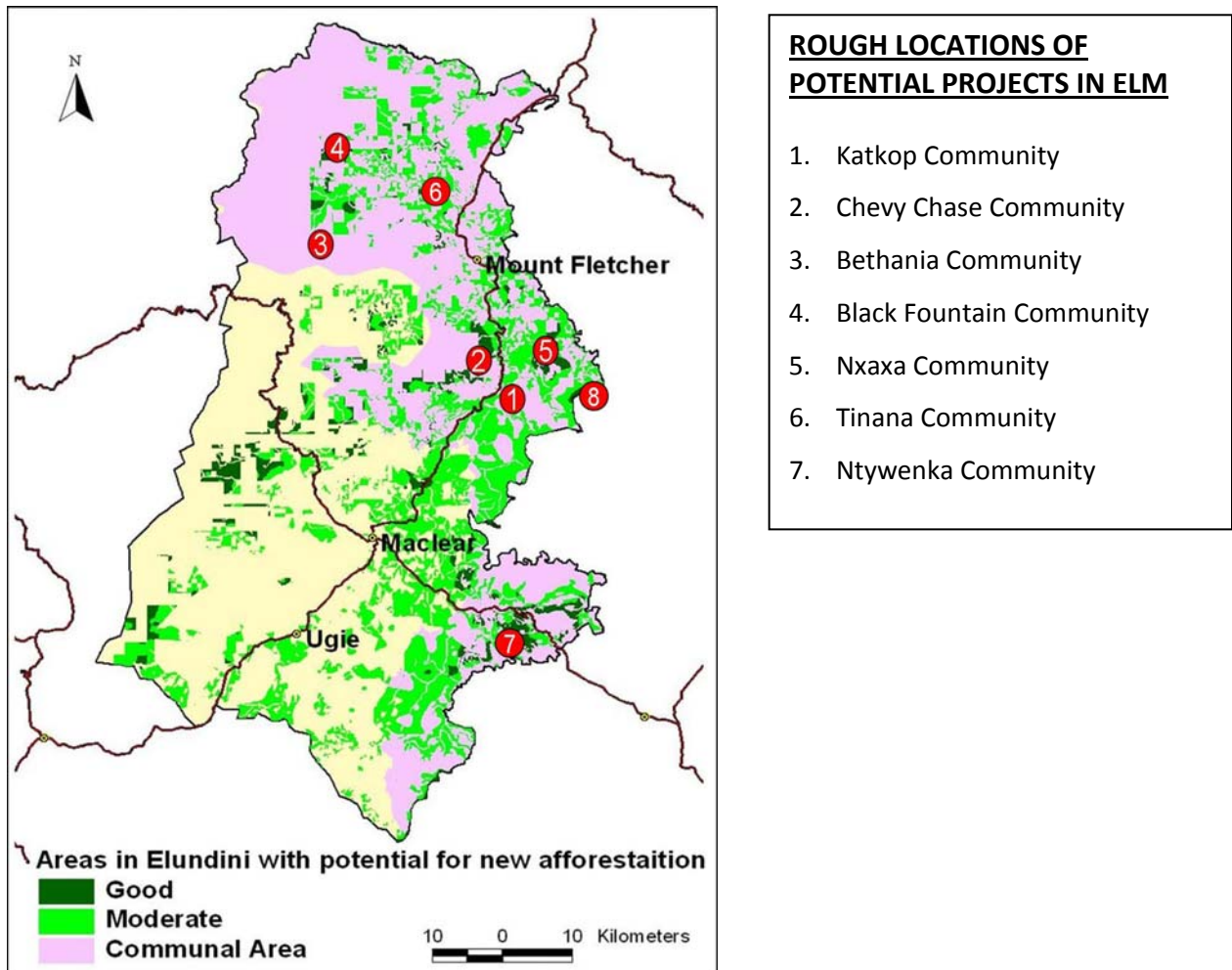
Further selection and planning was done in 2011-2012 for the two areas from the 8 identified areas, the 2 areas were found ready for further plantation of trees. The areas are Kat kop which is 153 hectares and Chevy Chase which is 610 hectares and implementation is assumed to begin year 2012-2013. Critical stakeholders involved in the implementation process are National Department of Agriculture Forestry and Fisheries, NDA, The community and the district municipality.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

Since the forestry sector requires specific skills and often official training is compulsory to be eligible for employment for a specific job function. Very few individuals in Elundini possessed the forestry skills were required before PG Bison set up operations in Ugie.

This limited the businesses ability to hire local employees for certain roles. The skills development centre addresses this problem by training staff to fulfil these roles. In the financial June 2011 – June 2012, 329 youth have been trained through this programme.

THE FOLLOWING FIGURE SHOWS THE LOCATIONS OF THE 7 COMMUNITIES



3.3.1. CHALLENGES

- ✓ Some communities do not want to release land for forestry development, they prefer short term crops than long term ones.

3.3.3. REMEDIAL ACTION

- ✓ More opportunities must be availed to communities to enhance their standard of living and be able to diversify.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

3.4. TOURISM DEVELOPMENT

In 2011-2012, the main activity as far as tourism is concerned has been the marketing of tourism products, training of the tour guides and development of art and crafts. The tour guides have been trained in the year 2011-2012 to enhance the support of tourism at the municipality. Four of the tour guides are still functioning.

Tourism products of Elundini have been marketed through the provincial and the national exhibitions in Johannesburg, Durban, Free State East London. The results are witnessed through the increased number of visitors in the areas in some of our B&BS. The development of arts and crafts in the municipality is a future focus as craft centre will be developed in the next financial year.

3.4.1. CHALLENGES

- ✓ The non availability of the products marketing stand which is branded for the municipality.

3.4.2. REMEDIAL ACTION

- ✓ The municipality should develop a marketing stand of its own to effectively market its products

3.5 SMME DEVELOPMENT

The municipality believes that small business and entrepreneurs are the drivers of the economic growth. They are the key mechanisms for job creation in the municipality. Their contribution in the economy is commonly seen in the establishment and the growth of new business. For the new businesses to be created, SMME must be able to identify new opportunities, new products and new technologies.

Elundini Municipality in its strategy identified one of the key barriers for business start ups as the level of education within its communities and has therefore in year 2010, 2011, 2012 should focused its programs in training the local businesses in partnership with SEDA. The training has been focusing on business skills preparation and proper planning through an effective business plan. During the year 2011, 40 small businesses have been reached through the program. What has been observed by the municipality is the growth in sector diversification.

The municipality updates its SMME database and Cooperative data base yearly.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

CUMULATIVE DATA BASE OF SMME'S INCLUDING COOPERATIVES

MOUNT FLETCHER B&Bs

| NAME OF THE ESTABLISHMENT | CONTACT PERSON | TELL NO | FAX NUMBER | E-MAIL ADDRESS | NUMBER OF ROOMS | WARD |
|---------------------------|----------------|------------|------------|------------------|-----------------|------|
| Amambangula B&B | Miss. K. Mamba | 0781349396 | N/A | N/A | 6 | 10 |
| Lala Lapha Guest house | Miss. Z. Twala | 0744109049 | 0392470497 | ztwala@yahoo.com | 5 | 9 |
| Nomthathazo B&B | Miss. Mamba | 0731661029 | N/A | N/A | 2 | 9 |

MACLEAR B&Bs

| NAME OF THE ESTABLISHMENT | CONTACT PERSON | TELL NO | FAX NUMBER | E-MAIL ADDRESS | NUMBER OF ROOMS | WARD |
|-----------------------------------|-------------------|----------------------------|------------|--|-----------------------|------|
| Linacusisa B&B | Mrs Nombekela | 0723978680 0459321068 | 0459321242 | Lindiswa.nombekela@gmail.com | 6 | 3 |
| Noxolo B&B | Mrs S. Saka | 0734819848 | 0459321706 | noxosaka@gmail.com | 6 | 4 |
| Siphe - Iwande B&B | Mr. Raxothi | 0824352857 0459321312 | 0459321312 | Raxothi@gmail.com | 8 | 4 |
| Pat comfort traders B&B | Mrs Jack | 0732615153 | 0459321242 | yamjack@webmail.co.za | 7 | 4 |
| Decklans B&B | Mr. Decklans | 0459321071 | 0459321071 | declans@xsinet.co.za | 19 | 3 |
| Tsitsa Falls Back Packer | Mr. A. Badenhorst | 0459321138 / 0730208801 | N/A | info@tsitsafalls.com | Accommodate 22 people | |
| Bobs place | Mr. Bob | 0459321931 | N/A | N/A | 11 | 17 |
| Woodcliff B&B | Mrs P. Sephton | 0829251030 | 0459321550 | psephton@intekom.co.za | 6 | |
| Maclear Manor Guest House | Mr. Vangenaar | 0459321439 / 0714948504 | N/A | maclearmanor@maclear.co.za | 5 | 4 |
| Tortoni's cottage & self-catering | Mr Van Niekerk | 0459321602 | 0867199734 | hvn@lantic.net | 3 | 2 |
| Maclear – Elundini caravan park | - | 0459328100 | N/A | N/A | N/A | 3 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

=

UGIE B&Bs

| NAME OF THE ESTABLISHMENT | CONTACT PERSON | TELL NO | FAX NUMBER | E-MAIL ADDRESS | NUMBER OF ROOMS | WARD |
|-------------------------------|----------------|------------|------------|--------------------------|-----------------|------|
| Forester's Lodge | Thomas | 0459331989 | 0866118143 | forester@mweb.co.za | 9 | 2 |
| Clarendon B&B & self-catering | Mr. Gouws | 0824789582 | 0866416495 | clarendongh@telkomsa.net | 14 | 2 |
| Forty winks | Mrs Shaton | 0724694336 | N/A | shaton@xsinet.co.za | 15 | 2 |
| Sinanto B&B | Mr. August | 0827429533 | 0459331198 | N/A | 3 | 2 |
| Ncedokuhle B&B | Ms N.P Pharela | 0732150252 | N/A | N/A | 2 | 2 |
| Kagisho -Khumo B&B | Kholeka | 0833711356 | N/A | N/A | 3 | 2 |
| Canzi B&B | Mrs Nkangana | 0736480002 | N/A | N/A | 2 | 2 |
| Joe & Nozuko B&B | Mrs Siganga | 0833750957 | N/A | N/A | 1 | 2 |
| Khulanathi | | 0459331042 | N/A | N/A | | 2 |

UPDATED DATABASE FOR CRAFTERS IN ELUNDINI FOR 2011/2012

| NAME OF THE PROJECT | WARD | MEMBERS | CONTACT NUMBER |
|---------------------------------------|------|---------|-----------------------|
| Khanya Project | 08 | 8 | 076 732 6784 |
| Tshakatsholo Project | 09 | 4 | 078 1034 503 |
| Thusanang Project | 09 | 3 | 083 6900 176 |
| Ntonjane Project | 03 | 1 | 0780160445 |
| Siyakhathala Project | 03 | 10 | 073 7635020 |
| Lahlangubo Project | 08 | 9 | 079 9765174 |
| Amangcengane project | 04 | 2 | 072 8064886 |
| Nobo Cultural Village | 08 | 7 | 0728215819 |
| Senzokuhle Project | 10 | 8 | 076 3330378 |
| Mt Flair Designs | 09 | 01 | 0838652379 |
| Tsidikeno Harmony | 05 | 5 | 0837523790 |
| Yonwabani Trading Enterprise | 09 | 1 | 072 7468188 |
| Mdeni Arts and Craft | 16 | 4 | 0834298426/0795824579 |
| Ntatyani Project | 16 | 5 | 0730468527 |
| Kanya Project | 16 | 5 | 0824330542 |
| Siyenza Adult Care Centre | 07 | 45 | 0710904669 |
| Khulasande Community Cultural Project | 05 | 36 | 0723580689 |
| Single Parent | 09 | 5 | 0720286008/0825975112 |
| Siyaphakama | 04 | 5 | 0717392052/0731902105 |

Generally dominant sector has been agriculture for many years as it is presently, but a growth in the other sectors like, art and craft, tourism, mining and manufacturing is being realised. The communities are beginning to recognise opportunities within other industries. What has also been realised is the increase in the number of new entries.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The table below depicts the SMMEs per sector for the past three years.

| YEAR | NUMBER OF SMMEs IN THE DATABASE | NUMBER |
|--------------------|--|------------|
| 2010 | Contractors | 48 |
| | Catering | 46 |
| | Carpenters | 12 |
| | Accommodation establishments | 37 |
| | Crafter | 33 |
| | Projects (Agriculture and Manufacturing) | 84 |
| | TOTAL | |
| 2010 | Contractors | 36 |
| | Catering | 40 |
| | Carpenters | 13 |
| | Accommodation establishments | 27 |
| | Crafter | 14 |
| | Projects (Agriculture and Manufacturing) | 26 |
| | Mining | 14 |
| TOTAL | | 170 |
| 2010 | Contractors | 42 |
| | Catering | 43 |
| | Carpenters | 12 |
| | Accommodation establishments | 27 |
| | Crafter | 19 |
| | Projects (Agriculture and Manufacturing) | 26 |
| | TOTAL | |
| GRAND TOTAL | | 599 |

3.5.1. CHALLENGES

- ✓ The lack of understanding of the usefulness and the value that is added by functional business networks is a key challenge.

3.5.2. REMEDIAL ACTION

- ✓ The municipality must enable the business networks to function properly;
- ✓ Localise continuous business counselling, monitoring and incubation or mentorship programs are a need for the small business to grow. The municipality must enable the environment and partner with government and private sector to make sure that ensure that there are localised business support programs
- ✓ Much more focused support on immersing local contractors is still a needed and partnership with the private sector is a strategy that will be tested in the near future.

CHAPTER 4

MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

4.1. INTRODUCTION

Financial Management and viability in the Municipality is deemed sound, this is evidenced by the following key viability factors:

PROFITABILITY

A Surplus of R 5 987 342 was recorded for the financial year

CASHFLOW

The Municipality had a positive cash flow position as at 30 June 2012 in the sum of R 41 020 026

LIQUIDITY

Current Ratio = Current assets to current liabilities
= 72 285 106: 43 702 017
= 1.65: 1

Acid Test Ratio = Current Assets - Inventory to current liabilities
= 64 132 122: 43 702 017
= 1.47:1

DEBT COVERAGE RATIO

Operating revenue – operating grants/ debt service payments due within financial year

DCR = R 146 635 405 – R 105 296 884/ R 185 996 = 222 times

OUTSTANDING SERVICES TO DEBTORS RATIO

Total outstanding service debtors/ annual revenue actually received for services

= R 23 112 060/ R 36 410 454
= 63.47%

COST COVERAGE RATIO

Available cash + Investments/ monthly fixed operating expenditure
= R 41 020 026 / R 7 324 838
= 5.6 months

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

4.2. THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Elundini Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Elundini Municipality includes the following areas:

Maclear
Mt Fletcher
Ugie
Parts of Tsolo and Qumbu

MEMBERS OF THE MAYORAL COMMITTEE

| | | |
|------------|---------------|---|
| Mayor | NR Lengs | |
| Speaker | M Bomela | |
| Councillor | LS Baduza | Portfolio head: Corporate Services |
| Councillor | DD Mvumvu | Portfolio head: Community Services |
| Councillor | AM Mqamelo | Portfolio head: Financial Services |
| Councillor | TJ Lehata | Portfolio head: Technical Services |
| Councillor | N Nkalitshana | Portfolio head: Strategic Planning and Economic Development |

MUNICIPAL MANAGER

K Gashi

CHIEF FINANCIAL OFFICER

SW Goodall

OTHER DIRECTORS

| | |
|--------------|---|
| P Mpendulo | Acting Manager: Infrastructure Planning and Development |
| S Matubatuba | Manager: Corporate Services |
| S Faku | Acting Manager: Strategic Planning and Economic Development |
| AM Ntaba | Manager: Community and Social Services |

REGISTERED OFFICE

No 1 Sellar Street
Maclear
5480

AUDITORS

Office of the Auditor General (Eastern Cape)

PRINCIPLE BANKERS

First National Bank, Maclear
Standard Bank, Maclear

AUDIT COMMITTEE

| | |
|------------|---------------|
| N Mnconywa | - Chairperson |
| L Dart | - Member |
| G Richards | - Member |
| Q Williams | - Member |

ATTORNEYS

| | |
|-------------------------------|------------------------------|
| McFarlane & Associates | Sodo Inc RM |
| Wesley Pretorius & Associates | Van der Walt Attorneys |
| Mantyi Attorneys | Fikile Ntanyiya & Associates |
| Jolwana Mgidlana Incorporated | Nompilo Sidondi Consulting |
| O'Conner Attorneys | |

ELUNDINI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
GENERAL INFORMATION

REGULATORY FRAMEWORK

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act

MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

| | |
|--------------|-----------------|
| Ward 1 | F W Ngayeka |
| Ward 2 | T J Pikitini |
| Ward 3 | J M Klaas |
| Ward 4 | K A Mgijima |
| Ward 5 | N Kapatile |
| Ward 6 | C N Mfecane |
| Ward 7 | A T T Tsolo |
| Ward 8 | N L Motema |
| Ward 9 | M Marubelela |
| Ward 10 | M E Tabana |
| Ward 11 | V V Majikijela |
| Ward 12 | N Q Lebenya |
| Ward 13 | S N Mdlazi |
| Ward 14 | N G Ntaopane |
| Ward 15 | K W Rabohome |
| Ward 16 | Z L Thwethiso |
| Ward 17 | V Ntuthu |
| Proportional | N R Lengs |
| Proportional | A M Mqamelo |
| Proportional | M L Naketsana |
| Proportional | L S Baduza |
| Proportional | M Bomela |
| Proportional | D D Mvumvu |
| Proportional | E V Zililo |
| Proportional | N Nkalitshana |
| Proportional | G M Moni |
| Proportional | M T Heisi |
| Proportional | T J Lehata |
| Proportional | M Magqashela |
| Proportional | M R Moore |
| Proportional | L Pili |
| Proportional | T J Koteli |
| Proportional | M Tsoananyana |
| Proportional | M Leteba |

ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

| | Notes | 2012 R | Restated 2011 R |
|--|-----------|--------------------|-----------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 368 927 883 | 362 940 540 |
| Accumulated Surplus | | 368 927 883 | 362 940 540 |
| Non-Current Liabilities | | 9 314 852 | 9 281 241 |
| Long-term Liabilities | 2 | 146 783 | 203 732 |
| Employee Benefits | 3 | 2 978 365 | 3 182 553 |
| Non-Current Provisions | 4 | 6 189 704 | 5 894 956 |
| Current Liabilities | | 43 702 017 | 33 858 051 |
| Consumer Deposits | 5 | 159 209 | 205 814 |
| Current Employee Benefits | 6 | 8 462 697 | 5 716 078 |
| Payables from Exchange Transactions | 7 | 18 446 249 | 12 296 727 |
| Unspent Conditional Government Grants and Receipts | 8 | 10 880 459 | 15 512 824 |
| Taxes | 9 | 5 696 455 | - |
| Current Portion of Long-term Liabilities | 2 | 56 948 | 126 608 |
| Liabilities associated with Discontinued Operations | 35 | 1 190 117 | - |
| Total Net Assets and Liabilities | | 423 134 869 | 406 079 832 |
| ASSETS | | | |
| Non-Current Assets | | 348 150 408 | 346 016 298 |
| Property, Plant and Equipment | 10 | 319 928 865 | 317 846 818 |
| Investment Property | 11 | 28 094 168 | 28 169 480 |
| Intangible Assets | 12 | 127 375 | - |
| Current Assets | | 72 285 106 | 60 063 534 |
| Inventory | 13 | 8 152 984 | 8 329 813 |
| Receivables from Exchange Transactions | 14 | 18 487 058 | 17 391 385 |
| Receivables from Non-exchange Transactions | 15 | 4 625 002 | 1 285 706 |
| Unpaid Conditional Government Grants and Receipts | 8 | 36 | 231 709 |
| Taxes | 9 | - | 4 928 355 |
| Cash and Cash Equivalents | 16 | 41 020 026 | 27 896 566 |
| Assets associated with Discontinued Operations | 35 | 2 699 355 | - |
| Total Assets | | 423 134 869 | 406 079 832 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

| | Notes | 2012 R | Restated 2011 R |
|---|-------|--------------------|-----------------------|
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | 117 441 531 | 108 470 177 |
| Taxation Revenue | | 11 980 138 | 9 774 023 |
| Property Rates | 17 | 11 980 138 | 9 774 023 |
| Transfer Revenue | | 105 359 639 | 98 486 784 |
| Government Grants and Subsidies - Capital | 18 | 35 072 663 | 41 439 511 |
| Government Grants and Subsidies - Operating | 18 | 70 224 221 | 56 998 690 |
| Public Contributions and Donations | | 02 755 | 48 583 |
| Other Revenue | | 101 754 | 209 370 |
| Actuarial Gains | | - | 80 868 |
| Fines | | 101 754 | 128 502 |
| Revenue from Exchange Transactions | | 29 193 874 | 28 798 051 |
| Service Charges | 19 | 18 663 485 | 17 126 923 |
| Water Services Authority Contribution | 20 | - | - |
| Plant Income | 21 | (1 701) | - |
| Rental of Facilities and Equipment | | 670 661 | 842 578 |
| Interest Earned - external investments | | 2 077 383 | 2 362 053 |
| Interest Earned - outstanding debtors | | 4 721 186 | 5 911 484 |
| Licences and Permits | 22 | 1 703 237 | 1 423 071 |
| Other Income | 23 | 1 359 623 | 1 131 942 |
| Total Revenue | | 146 635 405 | 137 268 228 |
| EXPENDITURE | | | |
| Employee Related Costs | 24 | 39 925 776 | 34 437 823 |
| Remuneration of Councillors | 25 | 7 738 431 | 6 983 480 |
| Debt Impairment | 26 | 10 899 557 | 4 458 810 |
| Depreciation and Amortisation | 27 | 34 064 701 | 30 888 724 |
| Impairments | 28 | 3 498 | 49 353 |
| Actuarial Loss | | 305 419 | |
| Collection Cost | | 780 709 | 249 381 |
| Repairs and Maintenance | 29 | 4 234 889 | 1 611 984 |
| Finance Charges | 30 | 1 341 222 | 578 893 |
| Bulk Purchases | 31 | 13 608 906 | 11 847 738 |
| Grants and Subsidies | 32 | 350 000 | - |
| Operating Grant Expenditure | 33 | 2 469 072 | 6 446 183 |
| Gain or loss on disposal of Property, Plant and Equipment | | 178 174 | 281 300 |
| Gain or loss on disposal of Inventory | | 54 926 | 37 482 |
| Gain or loss on disposal of Investment Property | | - | 10 900 |
| General Expenses | 34 | 29 282 970 | 24 800 015 |
| Total Expenditure | | 145 238 250 | 122 682 066 |
| NET SURPLUS FOR THE YEAR FROM CONTINUED OPERATIONS | | 1 397 155 | 14 586 162 |
| Discontinued Operations | 35 | 4 590 187 | 4 449 369 |
| NET SURPLUS FOR THE YEAR | | 5 987 342 | 19 035 531 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

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

| | Accumulated Surplus R |
|--|--------------------------------------|
| Balance at 1 JULY 2010 | 53 546 290 |
| Prior period adjustments - note 36.11 | 290 358 714 |
| Rounding | 5 |
| Restated Balance at 1 JULY 2010 | 343 905 009 |
| Net Surplus for the year | 19 035 531 |
| Balance at 30 JUNE 2011 | 362 940 540 |
| Net Surplus for the year | 5 987 342 |
| Rounding | 1 |
| Balance at 30 JUNE 2012 | 368 927 883 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

| | Notes | 2012 R | Restated 2011 R |
|---|-----------|---------------------|-----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Rates, Services and Other | | 31 689 268 | 24 200 327 |
| Government | | 100 896 194 | 93 040 970 |
| Interest | | 6 798 569 | 8 273 537 |
| Payments | | | |
| Suppliers and employees | | (86 556 835) | (89 715 100) |
| Finance charges | | (1 341 222) | (578 893) |
| Net Cash from Operating Activities | 37 | 51 485 975 | 35 220 841 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | | (38 094 775) | (44 705 900) |
| Proceeds on Disposal of Property, Plant and Equipment | | - | 347 314 |
| Proceeds on Disposal of Investment Property | | - | 11 600 |
| Purchase of Investment Property | | - | (3 226 498) |
| Purchase of Intangible Assets | | (139 783) | - |
| Net Cash from Investing Activities | | (38 234 558) | (47 573 484) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of Long-term Liabilities | | (126 609) | (121 134) |
| (Decrease)/Increase in Consumer Deposits | | (1 349) | 54 429 |
| Net Cash from Financing Activities | | (127 958) | (66 705) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 13 123 459 | (12 419 348) |
| Cash and Cash Equivalents at the beginning of the year | | 27 896 566 | 40 315 914 |
| Cash and Cash Equivalents at the end of the year | 38 | 41 020 026 | 27 896 566 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

| Standard | Description | Effective Date |
|--------------------------------|---|----------------|
| GRAP 1 (Revised – Mar 2012) | Presentation of Financial Statements | 1 April 2013 |
| GRAP 3 (Revised – Mar 2012) | Accounting Policies, Changes in Accounting Estimates and Errors | 1 April 2013 |
| GRAP 9 (Revised – Mar 2012) | Revenue from Exchange Transactions | 1 April 2013 |
| GRAP 12 (Revised – Mar 2012) | Inventories | 1 April 2013 |
| GRAP 13 (Revised – Mar 2012) | Leases | 1 April 2013 |
| GRAP 16 (Revised – Mar 2012) | Investment Property | 1 April 2013 |
| GRAP 17 (Revised – Mar 2012) | Property, Plant and Equipment | 1 April 2013 |
| GRAP 21 (Original – Mar 2009) | Impairment of non-cash-generating assets | 1 April 2012 |
| GRAP 23 (Original – Feb 2008) | Revenue from Non-Exchange Transactions | 1 April 2012 |
| GRAP 25 (Original – Nov 2009) | Employee Benefits | 1 April 2013 |
| GRAP 26 (Original – Mar 2009) | Impairment of cash-generating assets | 1 April 2012 |
| GRAP 27 (Revised – Mar 2012) | Agriculture | 1 April 2013 |
| GRAP 31 (Revised – Mar 2012) | Intangible Assets | 1 April 2013 |
| GRAP 104 (Original – Oct 2009) | Financial Instruments | 1 April 2012 |
| IGRAP 16 (Issued – Mar 2012) | Intangible Assets – Website Costs | 1 April 2013 |

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

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

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In terms of Directive 7: “The Application of Deemed Cost on the Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality applied deemed cost to Inventory, Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the formats contained in the Municipal Budget Reporting Regulations.

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

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

| Standard | Description | Effective Date |
|--|---|---------------------|
| GRAP 6 (Revised – Nov 2010) | <p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p> | Unknown |
| GRAP 7 (Revised – Mar 2012) | <p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | 1 April 2013 |
| GRAP 8 (Revised – Nov 2010) | <p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p> | Unknown |
| GRAP 18 (Original – Feb 2011) | <p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in of the annual financial statements.</p> | Unknown |
| GRAP 24 (Original – Nov 2007) | <p>Presentation of Budget Information in Financial Statements</p> | 1 April 2012 |

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| | | |
|--|--|---------------------|
| | <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p> | |
| GRAP 103 (Original – July 2008) | <p>Heritage Assets The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p> | 1 April 2012 |
| GRAP 105 (Original – Nov 2010) | <p>Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | Unknown |
| GRAP 106 (Original – Nov 2010) | <p>Transfer 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.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | Unknown |
| GRAP 107 (Original – Nov 2010) | <p>Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | Unknown |
| IGRAP 12 | Jointly Controlled Entities non-monetary | Unknown |

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| | | |
|--|---|--|
| | <p>contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p> | |
|--|---|--|

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

1.8. LEASES

1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8.2 *Municipality as Lessor*

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

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Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.12. EMPLOYEE BENEFITS

Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrue. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating

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municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- ✓ as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- ✓ as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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 assets 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts

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and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

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

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

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

| <u>Land and Buildings</u> | <u>Years</u> |
|---|---------------------|
| Buildings | 100 |
| Capitalised Restoration Costs | 20 |
| <u>Infrastructure</u> | |
| Electricity | 6 - 50 |
| Roads, Pavements, Bridges & Storm Water | 5 -120 |
| <u>Leased Assets</u> | |
| Office Equipment | 5 |
| <u>Other Assets</u> | |
| Furniture & Fittings | 7 |
| Motor Vehicles | 5 |
| Computer Equipment | 5 |
| Plant and Machinery | 7 - 10 |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For all other assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- ✓ is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability;
- ✓ or arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired 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

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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.

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| INTANGIBLE ASSETS | YEARS |
|--------------------------|--------------|
| Computer Software | 5 |

1.14.4 De-recognition

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

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- ✓ it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- ✓ the cost or fair value of the investment property can be measured reliably.

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

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

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| INVESTMENT PROPERTY | YEARS |
|----------------------------|--------------|
| Buildings | 100 |

1.15.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.16. NON-CURRENT ASSETS HELD FOR SALE

1.16.1 Initial Recognition

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

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1.16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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

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

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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

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carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- ✓ *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- ✓ *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- ✓ *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method. Cost of land held for sale is assigned by using specific identification of their individual costs.

1.18.3 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of inventory could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognized on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

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1.19.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.19.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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1.19.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities are carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ✓ the rights to receive cash flows from the asset have expired; or
- ✓ the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.20. REVENUE

1.20.1 *Revenue from Non-Exchange Transactions*

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

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Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognized using the effective interest rate method.

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

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

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

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

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- ✓ The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- ✓ A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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1.21. RELATED PARTIES

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

Related parties include:

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

Key management personnel include:

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

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and

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where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.26. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values

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

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- ✓ The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- ✓ Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- ✓ The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

- ✓ The cost for depreciated replacement cost was determined by using either one of the following:
 - ✓ cost of items with a similar nature currently in the Municipality's asset register;
 - ✓ cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
 - ✓ cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- ✓ Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

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- ✓ The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- ✓ The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Inventory

For deemed cost applied to Inventory as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the cash basis. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- ✓ Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- ✓ Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

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Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.28. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.29. CAPITAL COMMITMENTS

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

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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| | | 2012 R | 2011 R |
|----------|---|------------------|------------------|
| 2 | LONG-TERM LIABILITIES | | |
| | Annuity Loans - At amortised cost | 203 731 | 251 857 |
| | Capitalised Lease Liability - At amortised cost | - | 78 483 |
| | | 203 731 | 330 340 |
| | Less: Current Portion transferred to Current Liabilities | (56 948) | (126 608) |
| | Annuity Loans - At amortised cost | 56 948 | 48 125 |
| | Capitalised Lease Liability - At amortised cost | - | 78 483 |
| | Total Long-term Liabilities - At amortised cost using the effective interest rate method | 146 783 | 203 732 |
| | Annuity loans at amortised cost are calculated at 17.36% interest rate, with maturity date of 30 June 2015. Capital lease liabilities at amortised cost is calculated at 10% interest rate, with maturity date of 30 June 2012. | | |
| | Minimum annuity payments | | |
| | The obligations under annuity loans are scheduled below: | | |
| | Amounts payable under annuity loans: | | |
| | Payable within one year | 90 022 | 90 022 |
| | Payable within two to five years | 180 044 | 270 066 |
| | Payable after five years | - | - |
| | | 270 066 | 360 088 |
| | Less: Future finance obligations | (66 335) | (108 231) |
| | Present value of annuity obligations | 203 731 | 251 857 |
| | Annuity loans are unsecured. | | |
| | Minimum lease payments | | |
| | The obligations under finance leases are scheduled below: | | |
| | Amounts payable under finance leases: | | |
| | Payable within one year | - | 82 080 |
| | Payable within two to five years | - | - |
| | Payable after five years | - | - |
| | | - | 82 080 |
| | Less: Future finance obligations | - | (3 597) |
| | Present value of lease obligations | - | 78 483 |
| | Leases are secured by Property, Plant and Equipment - Note 10 | | |
| 3 | EMPLOYEE BENEFITS | | |
| | Post Retirement Medical Obligation - refer to note 3.1 | 1 664 566 | 1 524 177 |
| | Long Service Awards - refer to note 3.2 | 1 703 868 | 1 658 376 |
| | Total Non-current Employee Benefit Liabilities | 3 368 434 | 3 182 553 |
| | Less: Liabilities associated with Discontinued Operations - note 35 | (390 069) | - |
| | Total Non-current Employee Benefit Liabilities - Continued Operations | 2 978 365 | 3 182 553 |
| | <u>Post Retirement Medical Obligation</u> | | |
| | Balance 1 July | 1 628 157 | 1 748 348 |
| | Contribution for the year | 132 393 | 117 815 |
| | Expenditure for the year | (97 825) | (99 582) |
| | Actuarial Loss/(Gain) | 114 581 | (138 424) |
| | Total post retirement benefits 30 June | 1 777 306 | 1 628 157 |
| | Less: Transfer of Current Portion - Note 6 | (112 740) | (103 980) |
| | Balance 30 June | 1 664 566 | 1 524 177 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---|------------------|------------------|
| <u>Long Service Awards</u> | | |
| Balance 1 July | 1 742 671 | 1 455 713 |
| Contribution for the year | 383 712 | 342 945 |
| Expenditure for the year | (68 192) | (113 543) |
| Actuarial Loss | 190 838 | 57 556 |
| Total long service 30 June | 2 249 029 | 1 742 671 |
| Less: Transfer of Current Portion - Note 6 | (545 161) | (84 295) |
| Balance 30 June | 1 703 868 | 1 658 376 |

TOTAL NON-CURRENT EMPLOYEE BENEFITS

| | | |
|---|------------------|------------------|
| Balance 1 July | 3 370 828 | 3 204 061 |
| Contribution for the year | 516 105 | 460 760 |
| Expenditure for the year | (166 017) | (213 125) |
| Actuarial Loss/(Gain) | 305 419 | (80 868) |
| Total employee benefits 30 June | 4 026 335 | 3 370 828 |
| Less: Transfer of Current Portion - Note 6 | (657 901) | (188 275) |
| Balance 30 June | 3 368 434 | 3 182 553 |

3.1 Post Retirement Medical Obligation

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Continuation members (e.g. Retirees, widows, orphans)

Total Members

| | 2012 Employees | 2011 Employees |
|----------------------|-------------------|-------------------|
| | 4 | 4 |
| Total Members | 4 | 4 |

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
SAMWU Med
Key Health
Hosmed/Medichex

Key actuarial assumptions used:

i) Rate of interest

| | | |
|---------------------------------|-------|-------|
| Discount rate | 7.22% | 8.39% |
| Health Care Cost Inflation Rate | 6.50% | 7.15% |
| Net Effective Discount Rate | 0.68% | 1.16% |

ii) Mortality rates

The PA 90 ultimate table

The liability recognised in the Statement of Financial Position is as follows:

Present value of fund obligations (only continuation members)

Total Liability

| | 2012 R | 2011 R |
|------------------------|------------------|------------------|
| | 1 777 306 | 1 628 157 |
| Total Liability | 1 777 306 | 1 628 157 |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2010 R | 2009 R | 2008 R |
|------------------------|------------------|------------------|-----------|
| Total Liability | 1 748 348 | 1 711 641 | - |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---|------------------|------------------|
| Reconciliation of present value of fund obligation: | | |
| Present value of fund obligation at the beginning of the year | 1 628 157 | 1 748 348 |
| Total contribution | 34 568 | 18 233 |
| Current service cost | - | - |
| Interest Cost | 132 393 | 117 815 |
| Benefits Paid | (97 825) | (99 582) |
| Actuarial Loss/(Gain) | 114 581 | (138 424) |
| Present value of fund obligation at the end of the year | 1 777 306 | 1 628 157 |
| Less: Transfer of Current Portion - Note 6 | (112 740) | (103 980) |
| Balance 30 June | 1 664 566 | 1 524 177 |

The liability is unfunded.

Sensitivity Analysis on the Accrued Liability

| | Current Liability (R) | Change | Liability Change (R) | Change (%) |
|---------------------------------|-----------------------------|----------|----------------------------|---------------|
| Year ending 30 June 2012 | | | | |
| Health Care Inflation | 1 777 306 | 1% | 1 981 000 | 11% |
| Health Care Inflation | 1 777 306 | -1% | 1 603 000 | -10% |
| Post-retirement mortality | 1 777 306 | - 1 year | 1 842 000 | -3% |

Sensitivity Analysis on the Interest Costs

| | Current Interest Cost (R) | Change | Interest Cost Change (R) | Change (R) |
|---------------------------------|---------------------------------|---------|--------------------------------|---------------|
| Year ending 30 June 2012 | | | | |
| Health Care Inflation | 132 393 | +1% | 147 900 | 12% |
| Health Care Inflation | 132 393 | -1% | 119 200 | -10% |
| Post-retirement mortality | 132 393 | -1 year | 127 800 | -3% |

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 223 employees (2011 - 214 employees), but they are not all eligible for payment in the same year.

| | 2012 % | 2011 % |
|--|-----------|-----------|
| Key actuarial assumptions used: | | |
| i) Rate of interest | | |
| Discount rate | 6.27% | 7.62% |
| General Salary Inflation (long-term) | 5.97% | 6.23% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.28% | 1.31% |

| | 2012 R | 2011 R |
|--|------------------|------------------|
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 2 249 029 | 1 742 671 |
| Total Liability | 2 249 029 | 1 742 671 |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2010 R | 2009 R | 2008 R |
|------------------------|------------------|------------------|-----------|
| Total Liability | 1 455 713 | 1 352 741 | - |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---|------------------|------------------|
| Reconciliation of present value of fund obligation: | | |
| Present value of fund obligation at the beginning of the year | 1 742 671 | 1 455 713 |
| Total contribution | 315 520 | 229 402 |
| Current service cost | 254 147 | 228 724 |
| Interest Cost | 129 565 | 114 221 |
| Benefits Paid | (68 192) | (113 543) |
| Actuarial Loss | 190 838 | 57 556 |
| Present value of fund obligation at the end of the year | 2 249 029 | 1 742 671 |
| Less: Transfer of Current Portion - Note 6 | (545 161) | (84 295) |
| Balance 30 June | 1 703 868 | 1 658 376 |

The liability is unfunded.

Sensitivity Analysis on the Unfunded Accrued Liability

| Year ending 30 June 2012 | Current Liability (R) | Change | Interest Cost Change (R) | Change (R) |
|------------------------------|-----------------------|-----------|--------------------------|------------|
| General Salary Inflation | 2 249 029 | 1% | 2 381 000 | 6% |
| General Salary Inflation | 2 249 029 | -1% | 2 130 000 | -5% |
| Average retirement inflation | 2 249 029 | - 2 years | 2 078 000 | -8% |
| Average retirement inflation | 2 249 029 | + 2 years | 2 445 000 | 9% |
| Withdrawal rates | 2 249 029 | - 50% | 2 631 000 | 17% |

Sensitivity Analysis on the Current-service and Interest Costs

| Year ending 30 June 2012 | Change | Current Service Cost (R) | Interest Cost (R) | Total (R) | % Change |
|--------------------------|----------|--------------------------|-------------------|-----------|----------|
| General Salary Inflation | +1% | 269 610 | 137 511 | 407 121 | 6% |
| General Salary Inflation | -1% | 240 749 | 122 341 | 363 090 | -5% |
| Average retirement age | -2 years | 240 574 | 119 008 | 359 582 | -6% |
| Average retirement age | +2 years | 274 950 | 140 866 | 415 816 | 8% |
| Withdrawal Rate | -50% | 313 093 | 151 958 | 465 051 | 21% |

3.3 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, this multi-employer plan is defined as a defined benefit plan. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Fund' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2010 - 100.3%).

Contributions paid recognised in the Statement of Financial Performance

601 381

610 339

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|------------------|------------------|
| <u>DEFINED CONTRIBUTION FUNDS</u> | | |
| Council contributes to the SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. | | |
| Contributions paid recognised in the Statement of Financial Performance | | |
| SALA Pension Fund | 586 514 | 601 235 |
| SAMWU National Provident Fund | 2 415 384 | 2 083 858 |
| | 3 001 898 | 2 685 093 |

4 NON-CURRENT PROVISIONS

| | | |
|--|------------------|------------------|
| Provision for Rehabilitation of Landfill-sites | 6 189 704 | 5 894 956 |
| Total Non-current Provision | 6 189 704 | 5 894 956 |

Landfill Sites

| | | |
|---------------------------|------------------|------------------|
| Balance 1 July | 5 894 956 | 5 609 121 |
| Contribution for the year | 294 748 | 285 835 |
| Expenditure for the year | - | - |
| Balance 30 June | 6 189 704 | 5 894 956 |

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

| | | |
|------------------|------------------|------------------|
| - Mount Fletcher | 592 372 | 564 164 |
| - Maclear | 2 781 962 | 2 649 488 |
| - Ugie | 2 815 369 | 2 681 304 |
| | 6 189 704 | 5 894 956 |

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included, viz.

- 1 Direct Contract Cost
- 2 Indirect Professional Fees
- 3 Indirect Disbursements
- 4 Escalation

There are currently three landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, hence they are named after the town which they service.

Mt Fletcher Landfill Site:-

- Size of operational landfill area? 1 500 m² (Measured on site)
- Is the site licensed? Yes
- What is the classification of the site? G:C:B-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 785 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? No
- Is there a monitoring program in place? N/A
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? N/A. Trench System, cover material available from trenching process.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|----------------------------------|------------------|
| Maclear Landfill Site:- | | |
| · Size of operational landfill area? 12 000 m ² (Platform) | | |
| · Is the site licensed? Yes | | |
| · What is the classification of the site? G:S:B+ | | |
| · Is the site operational? Yes | | |
| · If the site is operational, is there an expected closure date? No – There are plans to “Mothball” the site during 2011 and transport waste to Ugie | | |
| · If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 tons | | |
| · If the site is not operational what was the date the site was last operated? N/A | | |
| · Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site | | |
| · Are there any existing boreholes for monitoring? Yes | | |
| · Is there a monitoring program in place? No, DWAF take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area. | | |
| · Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm | | |
| · Status of cover material? Cover material on site, volume unknown | | |
| Ugie Landfill Site:- | | |
| · Size of landfill area? 12 000 m ² (Platform) | | |
| · Is the site licensed? Yes | | |
| · What is the classification of the site? G:S:C- | | |
| · Is the site operational? Yes | | |
| · If the site is operational, is there an expected closure date? No | | |
| · If the site is operational, what is the annual tonnage of waste deposited on site? N/A | | |
| · If the site is not operational what was the date the site was last operated? N/A | | |
| · Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site. | | |
| · Are there any existing boreholes for monitoring? Yes | | |
| · Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area. | | |
| · Are there any physical/geographical features that should be taken into consideration? No | | |
| · Status of cover material? Cover material on site, volume unknown | | |
| | | |
| 5 | CONSUMER DEPOSITS | |
| Electricity | 133 811 | 131 455 |
| Water | 25 398 | 28 636 |
| Housing Rental | 45 258 | 45 273 |
| Total Consumer Deposits | 204 467 | 205 814 |
| Less: Liabilities associated with Discontinued Operations | (45 258) | - |
| Total Consumer Deposits - Continued Operations | 159 209 | 205 814 |
| | | |
| The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts. | | |
| | | |
| 6 | CURRENT EMPLOYEE BENEFITS | |
| Provision for Performance Bonuses | 2 113 374 | 1 929 827 |
| Bonuses Accrued | 1 186 589 | 950 851 |
| Provision for Staff Leave | 3 028 036 | 2 553 198 |
| Other Provisions | 2 031 404 | 93 927 |
| Current Portion of Non-Current Employee Benefits | 657 901 | 188 275 |
| Current Portion of Post Retirement Medical Obligation - Note 3 | 112 740 | 103 980 |
| Current Portion of Long-Service Provisions - Note 3 | 545 161 | 84 295 |
| Total Current Employee Benefits | 9 017 304 | 5 716 078 |
| Less: Liabilities associated with Discontinued Operations - note 35 | (554 607) | - |
| Total Current Employee Benefits - Continued Operations | 8 462 697 | 5 716 078 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The movement in current employee benefits are reconciled as follows:

| | 2012 R | 2011 R |
|---|------------------|------------------|
| <u>Provision for Performance Bonuses</u> | | |
| Balance at beginning of year | 1 929 827 | 1 198 260 |
| Contribution for the year | 1 307 675 | 1 227 573 |
| Expenditure incurred | (1 124 128) | (496 006) |
| Balance at end of year | 2 113 374 | 1 929 827 |

Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.

| | | |
|-------------------------------|------------------|----------------|
| <u>Bonuses Accrued</u> | | |
| Balance at beginning of year | 950 851 | 857 741 |
| Contribution for the year | 1 186 589 | 950 851 |
| Expenditure incurred | (950 851) | (857 741) |
| Balance at end of year | 1 186 589 | 950 851 |

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

| | | |
|---|------------------|------------------|
| <u>Provision for Staff Leave</u> | | |
| Balance at beginning of year | 2 553 198 | 1 702 253 |
| Contribution for the year | 700 513 | 1 080 652 |
| Expenditure incurred | (225 675) | (229 707) |
| Balance at end of year | 3 028 036 | 2 553 198 |

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

| | | |
|---|------------------|---------------|
| <u>Other Provisions</u> | | |
| Balance at beginning of year | 93 927 | 311 024 |
| Contribution to current portion - Task Job Evaluation Provision | 1 937 477 | - |
| Expenditure incurred | - | (217 097) |
| Balance at end of year | 2 031 404 | 93 927 |
| Shortfall in annual earnings of Cape Joint Pension Fund | 93 927 | 93 927 |
| TASK Job Evaluation Provision | 1 937 477 | - |

Other provisions are non-recurring provisions which consists out of the following at year end:

Shortfall in annual earnings of Cape Joint Pension Fund

It was reported that the established investment return of the fund for the past financial year was - 0.94%. Local authorities, including the Economic Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

TASK Job Evaluation Provision

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|----------|--|-------------------|-------------------|
| 7 | PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| | Trade Payables | 13 124 163 | 7 257 689 |
| | As previously reported | | 5 963 507 |
| | Prior period adjustments - note 36.04 | | 609 667 |
| | Prior period adjustments - note 36.06 | | 684 516 |
| | Sundry Creditors | - | 1 227 |
| | Payments received in advance | 1 130 683 | 1 533 090 |
| | Retentions | 3 652 804 | 3 153 280 |
| | As previously reported | | 3 663 575 |
| | Prior period adjustments - note 36.06 | | (273 577) |
| | Prior period adjustments - note 36.06 | | (236 718) |
| | Bursary Scheme - payments received from students | 23 494 | 43 059 |
| | Sundry Deposits | 244 958 | 66 450 |
| | Unknown Receipts | 270 147 | 241 932 |
| | Total Payables from Exchange Transactions | 18 446 249 | 12 296 727 |

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals.

Deposits amounting to R559 200 serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

| | | | |
|--|--|-------------------|-------------------|
| | Unspent Grants | 10 880 459 | 15 512 824 |
| | National Government Grants | 681 339 | 220 730 |
| | Provincial Government Grants | 5 174 041 | 5 404 812 |
| | District Municipality Grants | 118 696 | 118 696 |
| | Other Grant Providers | 4 906 383 | 9 768 586 |
| | Less: Unpaid Grants | (36) | (231 709) |
| | National Government Grants | - | (231 673) |
| | Other Grant Providers | (36) | (36) |
| | Total Conditional Grants and Receipts | 10 880 423 | 15 281 115 |
| | Balance as previously reported | | 15 333 425 |
| | Prior period adjustments - note 36.01 | | (375 609) |
| | Prior period adjustments - note 36.01 | | 323 299 |
| | | | 15 281 115 |

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9 TAXES

| | | | |
|--|---|--------------------|------------------|
| | VAT Receivable/(Payable) | (9 655 098) | (654 736) |
| | As previously reported | | (2 472 026) |
| | Prior period adjustments - note 36.03 | | 1 879 959 |
| | Prior period adjustments - note 36.06 | | (33 598) |
| | Prior period adjustments - note 36.06 | | (29 071) |
| | Less: VAT on Provision for Debt Impairment | 3 758 460 | 5 593 091 |
| | Opening balance | 5 593 091 | 4 276 035 |
| | Debt Impairment for current year - refer to note 26 | (1 834 631) | 1 317 056 |
| | VAT Receivable/(Payable) | (5 896 638) | 4 938 355 |
| | PAYE Payable | - | (10 000) |
| | Total Taxes | (5 896 638) | 4 928 355 |
| | Less: Liabilities associated with Discontinued Operations - note 35 | (200 183) | - |
| | Total Taxes - Continued Operations | (5 696 455) | 4 928 355 |

VAT is payable/receivable on the cash basis.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---|--------------------|-------------------|------------------|----------------------------|--------------------|--------------------------|---------------------|-------------------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance | Depreciation Charge | Impairment Charge | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | |
| Land and Buildings | 44 870 685 | 2 261 306 | - | - | 47 131 991 | 1 800 189 | 402 690 | 3 498 | - | 2 206 378 | 44 925 613 |
| Land | 14 323 000 | - | - | - | 14 323 000 | - | - | - | - | - | 14 323 000 |
| Buildings | 19 418 601 | 237 546 | - | 8 027 415 | 27 683 561 | 514 110 | 207 898 | - | - | 722 008 | 26 961 554 |
| Capitalised Restoration Costs | 3 995 672 | - | - | - | 3 995 672 | 1 286 079 | 194 792 | 3 498 | - | 1 484 370 | 2 511 302 |
| Work in Progress | 7 133 412 | 2 023 761 | - | (8 027 415) | 1 129 758 | - | - | - | - | - | 1 129 758 |
| Infrastructure | 321 593 313 | 28 889 576 | - | - | 350 482 889 | 65 913 378 | 31 409 623 | - | - | 97 323 001 | 253 159 888 |
| Electricity | 41 668 549 | - | - | 22 647 245 | 64 315 795 | 3 290 503 | 1 576 822 | - | - | 4 867 325 | 59 448 469 |
| Roads, Pavements, Bridges & Storm Water | 247 627 774 | - | - | 21 715 552 | 269 343 326 | 62 622 875 | 29 832 801 | - | - | 92 455 676 | 176 887 650 |
| Work in Progress | 32 296 990 | 28 889 576 | - | (44 362 797) | 16 823 769 | - | - | - | - | - | 16 823 769 |
| Lease Assets | 282 415 | - | - | - | 282 415 | 169 294 | 56 482 | - | - | 225 776 | 56 639 |
| Office Equipment | 282 415 | - | - | - | 282 415 | 169 294 | 56 482 | - | - | 225 776 | 56 639 |
| Other Assets | 24 576 198 | 6 943 892 | (293 502) | - | 31 226 588 | 5 592 931 | 3 962 260 | - | (115 328) | 9 439 863 | 21 786 725 |
| Furniture & Fittings | 2 320 276 | 712 736 | (88 616) | - | 2 944 397 | 801 886 | 376 241 | - | (16 641) | 1 161 486 | 1 782 911 |
| Motor Vehicles | 7 642 296 | 5 473 580 | (37 800) | - | 13 078 076 | 1 577 957 | 1 509 177 | - | (24 494) | 3 062 639 | 10 015 437 |
| Computer Equipment | 1 685 973 | 546 757 | (103 014) | - | 2 129 716 | 589 216 | 369 764 | - | (55 553) | 903 426 | 1 226 290 |
| Plant and Machinery | 12 927 652 | 210 819 | (64 072) | - | 13 074 398 | 2 623 873 | 1 707 078 | - | (18 640) | 4 312 312 | 8 762 087 |
| | 391 322 610 | 38 094 775 | (293 502) | - | 429 123 883 | 73 475 792 | 35 831 055 | 3 498 | (115 328) | 109 195 018 | 319 928 865 |

The leased property, plant and equipment and the buildings are secured as set out in note 2.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---|--------------------|-------------------|-------------|----------------------------|--------------------|--------------------------|---------------------|-------------------|-----------|-------------------|--------------------|
| | Opening Balance | Additions | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance | Depreciation Charge | Impairment Charge | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | |
| Land and Buildings | 37 936 984 | 6 933 701 | - | - | 44 870 685 | 1 359 287 | 391 550 | 49 353 | - | 1 800 189 | 43 070 495 |
| Land | 14 323 000 | - | - | - | 14 323 000 | - | - | - | - | - | 14 323 000 |
| As previously reported | 9 735 019 | - | (3 840 044) | - | 5 894 975 | - | - | - | - | - | 5 894 975 |
| Prior period adjustments - note 36.06 | 4 587 981 | - | 3 840 044 | - | 8 428 025 | - | - | - | - | - | 8 428 025 |
| Buildings | 19 020 865 | 397 736 | - | - | 19 418 601 | 320 902 | 193 208 | - | - | 514 110 | 18 904 491 |
| As previously reported | 153 995 | 5 669 626 | - | - | 5 823 621 | - | - | - | - | - | 5 823 621 |
| Prior period adjustments - note 36.06 | 18 866 870 | (5 271 890) | - | - | 13 594 980 | 320 902 | 193 208 | - | - | 514 110 | 13 080 870 |
| Capitalised Restoration Costs | 3 995 672 | - | - | - | 3 995 672 | 1 038 384 | 198 342 | 49 353 | - | 1 286 079 | 2 709 592 |
| As previously reported | - | - | - | - | - | - | - | - | - | - | - |
| Prior period adjustments - note 36.06 | 3 995 672 | - | - | - | 3 995 672 | 1 038 384 | 198 342 | 49 353 | - | 1 286 079 | 2 709 592 |
| Work in Progress | 597 447 | 6 535 965 | - | - | 7 133 412 | - | - | - | - | - | 7 133 412 |
| As previously reported | - | - | - | - | - | - | - | - | - | - | - |
| Prior period adjustments - note 36.06 | 597 447 | 6 535 965 | - | - | 7 133 412 | - | - | - | - | - | 7 133 412 |
| Infrastructure | 286 765 629 | 34 827 684 | - | - | 321 593 313 | 37 153 751 | 28 759 627 | - | - | 65 913 378 | 255 679 935 |
| Electricity | 36 831 128 | - | - | 4 837 421 | 41 668 549 | 2 145 427 | 1 145 076 | - | - | 3 290 503 | 38 378 047 |
| As previously reported | 3 686 632 | 19 293 849 | - | - | 22 980 481 | - | - | - | - | - | 22 980 481 |
| Prior period adjustments - note 36.06 | 33 144 496 | (19 293 849) | - | 4 837 421 | 18 688 068 | 2 145 427 | 1 145 076 | - | - | 3 290 503 | 15 397 566 |
| Roads, Pavements, Bridges & Storm Water | 228 272 131 | - | - | 19 355 643 | 247 627 774 | 35 008 324 | 27 614 551 | - | - | 62 622 875 | 185 004 898 |
| As previously reported | 13 029 536 | 17 461 988 | - | - | 30 491 524 | - | - | - | - | - | 30 491 524 |
| Prior period adjustments - note 36.06 | 215 242 595 | (17 461 988) | - | 19 355 643 | 217 136 250 | 35 008 324 | 27 614 551 | - | - | 62 622 875 | 154 513 374 |
| Work in progress | 21 662 369 | 34 827 684 | - | (24 193 064) | 32 296 990 | - | - | - | - | - | 32 296 990 |
| As previously reported | - | - | - | - | - | - | - | - | - | - | - |
| Prior period adjustments - note 36.06 | 21 662 369 | 34 827 684 | - | (24 193 064) | 32 296 990 | - | - | - | - | - | 32 296 990 |
| Lease Assets | 282 415 | - | - | - | 282 415 | 112 811 | 56 483 | - | - | 169 294 | 113 121 |
| Office Equipment | 282 415 | - | - | - | 282 415 | 112 811 | 56 483 | - | - | 169 294 | 113 121 |
| As previously reported | 282 415 | - | - | - | 282 415 | - | - | - | - | - | 282 415 |
| Prior period adjustments - note 36.06 | - | - | - | - | - | 112 811 | 56 483 | - | - | 169 294 | (169 294) |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---------------------------------------|-----------------|-------------|-----------|----------------------------|-----------------|--------------------------|---------------------|-------------------|-----------|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance | Depreciation Charge | Impairment Charge | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | |
| Community Assets | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 120 918 | - | - | - | 120 918 | - | - | - | - | - | 120 918 |
| Prior period adjustments - note 36.06 | (120 918) | - | - | - | (120 918) | - | - | - | - | - | (120 918) |
| Civic Building | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 833 398 | - | - | - | 833 398 | - | - | - | - | - | 833 398 |
| Prior period adjustments - note 36.06 | (833 398) | - | - | - | (833 398) | - | - | - | - | - | (833 398) |
| Community Halls | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 1 643 583 | 1 034 297 | - | - | 2 677 880 | - | - | - | - | - | 2 677 880 |
| Prior period adjustments - note 36.06 | (1 643 583) | (1 034 297) | - | - | (2 677 880) | - | - | - | - | - | (2 677 880) |
| Markets | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 734 458 | 215 551 | - | - | 950 009 | - | - | - | - | - | 950 009 |
| Prior period adjustments - note 36.06 | (734 458) | (215 551) | - | - | (950 009) | - | - | - | - | - | (950 009) |
| Parks & Gardens | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 400 357 | 17 600 | - | - | 417 957 | - | - | - | - | - | 417 957 |
| Prior period adjustments - note 36.06 | (400 357) | (17 600) | - | - | (417 957) | - | - | - | - | - | (417 957) |
| Public Conveniences & Bathhouses | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 5 | - | - | - | 5 | - | - | - | - | - | 5 |
| Prior period adjustments - note 36.06 | (5) | - | - | - | (5) | - | - | - | - | - | (5) |
| Recreational Grounds | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 7 | - | - | - | 7 | - | - | - | - | - | 7 |
| Prior period adjustments - note 36.06 | (7) | - | - | - | (7) | - | - | - | - | - | (7) |
| Town Library | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 160 558 | - | - | - | 160 558 | - | - | - | - | - | 160 558 |
| Prior period adjustments - note 36.06 | (160 558) | - | - | - | (160 558) | - | - | - | - | - | (160 558) |
| Transport Facilities | - | - | - | - | - | - | - | - | - | - | - |
| As previously reported | 3 | - | - | - | 3 | - | - | - | - | - | 3 |
| Prior period adjustments - note 36.06 | (3) | - | - | - | (3) | - | - | - | - | - | (3) |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---------------------------------------|--------------------|-------------------|------------------|----------------------------|--------------------|--------------------------|---------------------|-------------------|------------------|-------------------|--------------------|
| | Opening Balance | Additions | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance | Depreciation Charge | Impairment Charge | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | |
| Other Assets | 22 192 023 | 2 944 515 | (560 340) | - | 24 576 198 | 2 506 442 | 3 365 530 | - | (279 040) | 5 592 931 | 18 983 267 |
| Furniture & Fittings | 2 109 531 | 262 402 | (51 657) | - | 2 320 276 | 514 235 | 308 655 | - | (21 005) | 801 886 | 1 518 391 |
| As previously reported | 1 063 379 | 299 497 | (44 982) | - | 1 317 894 | - | - | - | - | - | 1 317 894 |
| Prior period adjustments - note 36.06 | 1 046 152 | (37 095) | (6 675) | - | 1 002 382 | 514 235 | 308 655 | - | (21 005) | 801 886 | 200 497 |
| Motor Vehicles | 6 163 883 | 1 905 917 | (427 504) | - | 7 642 296 | 697 520 | 1 111 078 | - | (230 641) | 1 577 957 | 6 064 340 |
| As previously reported | 2 840 377 | 1 905 917 | - | - | 4 746 294 | - | - | - | - | - | 4 746 294 |
| Prior period adjustments - note 36.06 | 3 323 506 | - | (427 504) | - | 2 896 002 | 697 520 | 1 111 078 | - | (230 641) | 1 577 957 | 1 318 045 |
| Computer Equipment | 1 169 147 | 570 089 | (53 263) | - | 1 685 973 | 339 284 | 269 079 | - | (19 147) | 589 216 | 1 096 758 |
| As previously reported | 1 266 810 | 570 089 | (53 948) | - | 1 782 951 | - | - | - | - | - | 1 782 951 |
| Prior period adjustments - note 36.06 | (97 663) | - | 685 | - | (96 977) | 339 284 | 269 079 | - | (19 147) | 589 216 | (686 193) |
| Plant and Machinery | 12 749 461 | 206 106 | (27 916) | - | 12 927 652 | 955 403 | 1 676 717 | - | (8 247) | 2 623 873 | 10 303 779 |
| As previously reported | 16 251 242 | 172 523 | (495 149) | - | 15 928 616 | - | - | - | - | - | 15 928 616 |
| Prior period adjustments - note 36.06 | (3 501 781) | 33 583 | 467 233 | - | (3 000 964) | 955 403 | 1 676 717 | - | (8 247) | 2 623 873 | (5 624 837) |
| | 347 177 050 | 44 705 900 | (560 340) | - | 391 322 610 | 41 132 290 | 32 573 190 | 49 353 | (279 040) | 73 475 792 | 317 846 818 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|-------------------|-------------------|
| 11 INVESTMENT PROPERTY | | |
| Net Carrying amount at 1 July | 28 169 480 | 25 040 588 |
| Cost | 28 394 798 | 25 190 800 |
| As previously reported | | 73 |
| Prior period adjustments - note 36.07 | | 25 190 727 |
| Accumulated Depreciation | (225 318) | (150 212) |
| As previously reported | | - |
| Prior period adjustments - note 36.07 | | (150 212) |
| Acquisitions | - | 3 226 498 |
| Depreciation | (75 312) | (75 106) |
| As previously reported | | - |
| Prior period adjustments - note 36.07 | | (75 106) |
| Disposals | | (22 500) |
| As previously reported | | - |
| Prior period adjustments - note 36.07 | | (22 500) |
| Net Carrying amount at 30 June | 28 094 168 | 28 169 480 |
| Cost | 28 394 798 | 28 394 798 |
| Accumulated Depreciation | (300 630) | (225 318) |
| Revenue derived from the rental of investment property | 670 661 | 842 578 |

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

12 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

| | | |
|---------------------------------------|----------------|----------|
| Cost | - | - |
| As previously reported | | 36 721 |
| Prior period adjustments - note 36.08 | | (36 721) |
| Accumulated Amortisation | - | - |
| Acquisitions | 139 783 | - |
| Amortisation | (12 408) | - |
| Net Carrying amount at 30 June | 127 375 | - |
| Cost | 139 783 | - |
| Accumulated Amortisation | (12 408) | - |

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|-------------------|-------------------|
| 13 INVENTORY | | |
| Fuel and oil | 40 346 | 166 716 |
| Consumable Stores | 1 327 412 | 647 548 |
| As previously reported | | 10 316 |
| Prior period adjustments - note 36.05 | | 637 232 |
| Land held for sale | 7 363 000 | 7 488 500 |
| As previously reported | | 555 |
| Prior period adjustments - note 36.05 | | 7 487 945 |
| Water | 21 634 | 27 049 |
| As previously reported | | 1 |
| Prior period adjustments - note 36.05 | | 27 048 |
| Total Inventory | 8 752 392 | 8 329 813 |
| Less: Assets associated with Discontinued Operations - note 35 | (599 408) | - |
| Total Inventory - Continued Operations | 8 152 984 | 8 329 813 |
| No inventory assets were pledged as security for liabilities. | | |
| 14 RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| Electricity | 9 903 562 | 11 848 049 |
| As previously reported | | 11 952 929 |
| Prior period adjustments - note 36.02 | | (104 880) |
| Water | 6 438 484 | 5 808 038 |
| As previously reported | | 12 302 777 |
| Prior period adjustments - note 36.02 | | (32 191) |
| Prior period adjustments - note 36.02 | | (6 462 548) |
| Refuse | 19 409 606 | 23 846 368 |
| As previously reported | | 23 898 894 |
| Prior period adjustments - note 36.02 | | (52 526) |
| Sewerage | 764 729 | 600 171 |
| As previously reported | | 2 844 958 |
| Prior period adjustments - note 36.02 | | (16 182) |
| Prior period adjustments - note 36.02 | | (2 228 605) |
| Other | 14 675 222 | 15 326 956 |
| As previously reported | | 15 920 746 |
| Prior period adjustments - note 36.02 | | (38 091) |
| Reclassified to Receivables from Non-Exchange Transactions - note 15 | | (555 700) |
| Total Receivables from Exchange Transactions | 51 191 603 | 57 429 582 |
| Less: Allowance for Doubtful Debts | (30 604 598) | (40 038 197) |
| As previously reported | | (48 729 350) |
| Prior period adjustments - note 36.02 | | 8 691 153 |
| Total Net Receivables from Exchange Transactions | 20 587 005 | 17 391 385 |
| Less: Assets associated with Discontinued Operations - note 35 | (2 099 947) | - |
| Total Net Receivables from Exchange Transactions - Continued Operations | 18 487 058 | 17 391 385 |
| Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary. | | |
| Reconciliation of Allowance for doubtful debts | | |
| Balance at beginning of year | 40 038 197 | 34 051 586 |
| Contribution to provision | 10 969 973 | 9 579 995 |
| Debt Impairment written off against provision | (20 403 572) | (3 593 384) |
| Balance at end of year | 30 604 598 | 40 038 197 |
| Electricity | 7 468 317 | 10 029 388 |
| Water | 4 965 749 | 4 682 881 |
| Refuse | 15 644 067 | 21 670 080 |
| Sewerage | 599 974 | 470 241 |
| Other | 1 926 491 | 3 185 607 |
| Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables. | | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| Service Receivables | Gross Balance R | Allowance for Doubtful Debts R | Net balance R |
|---|--------------------|--------------------------------------|-------------------|
| 2012 | | | |
| Electricity | 9 903 562 | (7 468 317) | 2 435 245 |
| Water | 6 438 484 | (4 965 749) | 1 472 735 |
| Refuse | 19 409 606 | (15 644 067) | 3 765 539 |
| Sewerage | 764 729 | (599 974) | 164 755 |
| Other | 14 675 222 | (1 926 491) | 12 748 731 |
| Total | 51 191 603 | (30 604 598) | 20 587 005 |
| 2011 | | | |
| Electricity | 11 848 049 | (10 029 388) | 1 818 661 |
| Water | 5 808 038 | (4 682 881) | 1 125 157 |
| Refuse | 23 846 368 | (21 670 080) | 2 176 288 |
| Sewerage | 600 171 | (470 241) | 129 930 |
| Other | 15 326 956 | (3 185 607) | 12 141 349 |
| Total | 57 429 582 | (40 038 197) | 17 391 385 |
| Ageing of Receivables from Exchange Transactions | | | |
| (Electricity): Ageing | | | |
| Current (0 - 30 days) | | 646 196 | 636 239 |
| 31 to 60 days | | 400 373 | 431 015 |
| 61 to 90 days | | 207 916 | 397 035 |
| 91 to 120 days | | 147 129 | 384 819 |
| 121 to 150 days | | 138 144 | 351 716 |
| >150 days | | 8 363 804 | 9 647 224 |
| Total | | 9 903 562 | 11 848 049 |
| (Water): Ageing | | | |
| Current (0 - 30 days) | | 300 348 | 452 890 |
| 31 to 60 days | | 147 229 | 331 336 |
| 61 to 90 days | | 862 871 | 366 402 |
| 91 to 120 days | | 52 668 | 303 047 |
| 121 to 150 days | | 63 712 | 293 400 |
| >150 days | | 5 011 656 | 4 060 963 |
| Total | | 6 438 484 | 5 808 038 |
| (Refuse): Ageing | | | |
| Current (0 - 30 days) | | 705 699 | 744 592 |
| 31 to 60 days | | 601 840 | 695 858 |
| 61 to 90 days | | 182 713 | 688 306 |
| 91 to 120 days | | 180 018 | 671 495 |
| 121 to 150 days | | 176 529 | 665 783 |
| >150 days | | 17 562 806 | 20 380 334 |
| Total | | 19 409 606 | 23 846 368 |
| (Sewerage): Ageing | | | |
| Current (0 - 30 days) | | 77 897 | 33 545 |
| 31 to 60 days | | 62 260 | 58 926 |
| 61 to 90 days | | 35 462 | 21 125 |
| 91 to 120 days | | 34 046 | 23 031 |
| 121 to 150 days | | 34 759 | 26 296 |
| >150 days | | 520 306 | 437 248 |
| Total | | 764 729 | 600 171 |
| (Other): Ageing | | | |
| Current (0 - 30 days) | | 2 525 534 | 11 158 586 |
| 31 to 60 days | | 862 839 | 251 904 |
| 61 to 90 days | | 1 053 066 | 227 551 |
| 91 to 120 days | | 638 936 | 44 422 |
| 121 to 150 days | | 1 935 958 | 40 269 |
| >150 days | | 7 658 889 | 3 604 225 |
| Total | | 14 675 222 | 15 326 956 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| 15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | 2012 R | 2011 R |
|--|-------------------|-------------------|
| Rates | 14 240 340 | 11 968 023 |
| As previously reported | | 12 111 406 |
| Prior period adjustments - note 36.02 | | (143 383) |
| Other Receivables | 646 532 | 609 678 |
| RD Cheques | 32 745 | (609) |
| Underbanking of Cash | 54 587 | 54 587 |
| Deposits | 559 200 | 555 700 |
| As previously reported | | - |
| Reclassified from Receivables from Exchange Transactions - note 14 | | 555 700 |
| Total Receivables from Non-Exchange Transactions | 14 886 872 | 12 577 701 |
| Less: Allowance for Doubtful Debts | (10 261 870) | (11 291 995) |
| Total Net Receivables from Non-Exchange Transactions | 4 625 002 | 1 285 706 |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

| | | |
|---|-------------------|-------------------|
| Balance at beginning of year | 11 291 995 | 12 846 024 |
| Reversal of provision - note 26 | (880 298) | (1 323 446) |
| Debt Impairment written off against provision | (149 826) | (230 583) |
| Balance at end of year | 10 261 870 | 11 291 995 |
| Rates | 10 261 870 | 11 291 995 |

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

| | Gross Balance R | Allowance for Doubtful Debts R | Net balance R |
|----------------------|--------------------|--------------------------------------|------------------|
| 2012 | | | |
| Rates | 14 240 340 | (10 261 870) | 3 978 470 |
| Other Receivables | 646 532 | - | 646 532 |
| RD Cheques | 32 745 | - | 32 745 |
| Underbanking of Cash | 54 587 | - | 54 587 |
| Deposits | 559 200 | - | 559 200 |
| Total | 14 886 872 | (10 261 870) | 4 625 002 |
| 2011 | | | |
| Rates | 11 968 023 | (11 291 995) | 676 028 |
| Other Receivables | 609 678 | - | 609 678 |
| RD Cheques | (609) | - | (609) |
| Underbanking of Cash | 54 587 | - | 54 587 |
| Deposits | 555 700 | - | 555 700 |
| Total | 12 577 701 | (11 291 995) | 1 285 706 |

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

| | | |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 days) | 155 995 | 99 759 |
| 31 to 60 days | 443 294 | 320 741 |
| 61 to 90 days | 311 545 | 279 187 |
| 91 to 120 days | 307 041 | 273 797 |
| 121 to 150 days | 344 930 | 239 830 |
| >150 days | 12 677 535 | 10 754 709 |
| Total | 14 240 340 | 11 968 023 |

(Other Receivables): Ageing

| | | |
|-----------------------|----------------|----------------|
| Current (0 - 30 days) | - | - |
| 31 to 60 days | - | - |
| 61 to 90 days | - | - |
| 91 to 120 days | - | - |
| 121 to 150 days | - | - |
| >150 days | 646 532 | 53 978 |
| Total | 646 532 | 609 678 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| 16 | CASH AND CASH EQUIVALENTS | 2012 R | 2011 R |
|----|--|-------------------|-------------------|
| | <u>Assets</u> | | |
| | Call Investment Deposits | 37 584 839 | 22 441 664 |
| | Primary Bank Account | 3 433 016 | 5 451 051 |
| | Cash Floats | 2 171 | 3 851 |
| | Total Cash and Cash Equivalents - Assets | 41 020 026 | 27 896 566 |
| | Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. | | |
| | Call Investments Deposits to an amount of R10 880 458 are held to fund the Unspent Conditional Grants (2011: R15 512 824). | | |
| | The Municipality has the following bank accounts: | | |
| | <u>Current Accounts</u> | | |
| | First National Bank - Acc no 62159933772 | 490 822 | 4 485 484 |
| | First National Bank - Acc no 62312151848 | 2 012 | - |
| | Standard Bank - Acc no 280642407 | 2 940 182 | 965 567 |
| | | 3 433 016 | 5 451 051 |
| | <i>First National Bank - Acc no 62159933772</i> | | |
| | Cash book balance at beginning of year | 4 485 484 | (3 894 051) |
| | Cash book balance at end of year | 352 405 | 4 485 484 |
| | Bank statement balance at beginning of year | 5 385 159 | 726 052 |
| | Bank statement balance at end of year | 352 489 | 5 385 159 |
| | <i>First National Bank - Acc no 62312151848</i> | | |
| | Cash book balance at beginning of year | - | - |
| | Cash book balance at end of year | 2 012 | - |
| | Bank statement balance at beginning of year | - | - |
| | Bank statement balance at end of year | 2 012 | - |
| | <i>Standard Bank - Acc no 280642407</i> | | |
| | Cash book balance at beginning of year | 965 567 | 2 803 019 |
| | Cash book balance at end of year | 2 940 182 | 965 567 |
| | Bank statement balance at beginning of year | 7 642 | 2 802 769 |
| | Bank statement balance at end of year | 2 940 182 | 7 642 |
| | <u>Call Investment Deposits</u> | | |
| | Call investment deposits consist out of the following accounts: | | |
| | Standard Bank - Acc no 388497173001 - Elundini Expan Public Works | 498 160 | 246 833 |
| | Standard Bank - Acc no 388492554001 - Elundini Housing | 71 882 | 74 386 |
| | Standard Bank - Acc no 388497165001 - Elundini Voting Station | 479 882 | 479 336 |
| | Standard Bank - Acc no 388490772001 - European Union Funding | - | 9 463 |
| | Standard Bank - Acc no 388493410002 - FMG | 794 729 | 793 367 |
| | Standard Bank - Acc no 388492570001 - Housing Pilot | 113 663 | 117 890 |
| | Standard Bank - Acc no 388492716001 - Katlehong Planning | 2 795 | 2 837 |
| | Standard Bank - Acc no 388492406001 - Leave Reserve | 12 133 | 12 317 |
| | Standard Bank - Acc no 388493410001 - LED | 55 282 | 39 743 |
| | Standard Bank - Acc no 388494255001 - Library | 108 106 | 554 420 |
| | Standard Bank - Acc no 388493003001 - Maclear Greenfields | 673 617 | 707 651 |
| | Standard Bank - Acc no 388492325001 - MSIG | 740 083 | 237 564 |
| | Standard Bank - Acc no 388494387001 - MSP | 1 643 121 | 1 730 246 |
| | Standard Bank - Acc no 388493240003 - Mount Fletcher Youth Centre | - | 108 804 |
| | Standard Bank - Acc no 388490810001 - NER | 5 364 213 | 1 211 072 |
| | Standard Bank - Acc no 388492759001 - Revolving Fund | 107 332 | 107 062 |
| | Standard Bank - Acc no 388493518001 - Tourism | 544 249 | 806 403 |
| | Standard Bank - Acc no 388492481001 - Training | - | 6 633 |
| | FNB - Acc no 62189194170 - Equitable Share | 179 310 | 661 689 |
| | FNB - Acc no 62246726197 - Furniture Man Project | 979 581 | 1 557 742 |
| | FNB - Acc no 62246719176 - Hawkers Stall | 2 690 973 | 1 835 681 |
| | FNB - Acc no 62268631259 - Madiba Corridor | - | 480 847 |
| | FNB - Acc no 62189180011 - MIG | 2 072 730 | 19 617 |
| | FNB - Acc no 62258379174 - Plant and Machinery | - | 10 000 |
| | FNB - Acc no 62268632934 - Ward Functions | 42 322 | 255 640 |
| | FNB - Acc no 62314984106 - IDP Commercial | 26 966 | 226 058 |
| | FNB - Acc no 62284785303 - Internal Road Reserve | 15 075 | 2 881 530 |
| | FNB - Acc no 62284785121 - Working Capital Reserve | 20 368 635 | 7 266 833 |
| | | 37 584 839 | 22 441 664 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|----|--|----------------------|----------------------|
| 17 | PROPERTY RATES | | |
| | Actual | | |
| | Rateable Land and Buildings | 15 417 915 | 14 715 181 |
| | Less: Rebates | (3 437 777) | (4 941 158) |
| | Total Assessment Rates | 11 980 138 | 9 774 023 |
| | Valuations - 1 July 2010 | | |
| | Residential | 296 687 400 | 297 446 200 |
| | Special Residential | 10 374 800 | 10 374 800 |
| | Business and Government Property used by Local Government | 169 608 000 | 162 597 400 |
| | Industrial | 102 220 600 | 102 631 100 |
| | Government Property used by Provincial and District Government | 270 943 261 | 269 097 261 |
| | Government Property used by National Government | 8 798 900 | 8 798 900 |
| | Public Service Infrastructure and Agriculture | 1 998 801 434 | 2 116 250 502 |
| | Municipal Owned Property and Churches | 356 723 068 | 232 047 000 |
| | Rateable Land and Buildings | 3 214 157 463 | 3 199 243 163 |
| | Rebates on Income - Basic Rate: | | |
| | Residential | 0.898c/R | 0.848c/R |
| | Special Residential | 1.168c/R | 1.102c/R |
| | Business and Government Property used by Local Government | 1.348c/R | 1.272c/R |
| | Industrial | 1.797c/R | 1.696c/R |
| | Government Property used by Provincial and District Government | 1.438c/R | 1.357c/R |
| | Government Property used by National Government | 1.617c/R | 1.526c/R |
| | Public Service Infrastructure and Agriculture | 0.224c/R | 0.212c/R |
| | Municipal Owned Property and Churches | 0.000c/R | 0.000c/R |

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

| | | 2012 R | 2011 R |
|----|--|--------------------|-------------------|
| 18 | GOVERNMENT GRANTS AND SUBSIDIES | | |
| | Unconditional Grants | 66 072 795 | 50 681 227 |
| | Equitable Share | 64 855 000 | 50 021 227 |
| | Other Grants | 1 217 795 | 660 000 |
| | Conditional Grants | 39 224 089 | 47 756 974 |
| | Municipal Infrastructure Grant (MIG) | 22 686 730 | 17 585 644 |
| | As previously reported | | 17 899 522 |
| | Prior period adjustments - note 36.01 | | (313 878) |
| | Municipal Systems Improvement Grant (MSIG) | 790 000 | 737 817 |
| | Financial Management Grant (FMG) | 1 500 000 | 1 250 000 |
| | National Electrification Programme Grant (NER) | 86 987 | 7 215 968 |
| | ECDC | 12 999 594 | 16 637 899 |
| | Other Grants | 1 160 778 | 4 329 645 |
| | Total Government Grants and Subsidies | 105 296 884 | 98 438 201 |
| | Government Grants and Subsidies - Capital | 35 072 663 | 41 439 511 |
| | Government Grants and Subsidies - Operating | 70 224 221 | 56 998 690 |
| | | 105 296 884 | 98 438 201 |

The Municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

| | | |
|-----------------------------|--------------------|-------------------|
| Equitable share | 64 855 000 | 50 021 227 |
| Budget & Treasury | 2 290 000 | 7 311 410 |
| Community & Social Services | 1 217 795 | 660 000 |
| Electricity | 13 086 582 | 20 936 343 |
| Executive & Council | - | 514 743 |
| Housing | - | 154 027 |
| Planning & Development | 1 160 778 | 2 788 752 |
| Road Transport | 22 686 728 | 16 051 699 |
| | 105 296 884 | 98 438 201 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---|------------------|------------------|
| 18.1 Equitable Share | | |
| Opening balance | - | - |
| Grants received | 64 855 000 | 50 021 227 |
| Conditions met - operating | (64 855 000) | (50 021 227) |
| Conditions still to be met | - | - |
| <p>The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.</p> | | |
| 18.2 Municipal Infrastructure Grant (MIG) | | |
| Opening balance | 220 730 | 4 126 374 |
| Grants received | 22 466 000 | 13 680 000 |
| Conditions met - capital | (21 986 082) | (17 585 644) |
| Conditions met - operating | (700 648) | - |
| Conditions still to be met / (unpaid grants for conditions already met) | - | 220 730 |
| <p>MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.</p> | | |
| 18.3 Municipal Systems Improvement Grant (MSIG) | | |
| Opening balance | - | (12 183) |
| Grants received | 790 000 | 750 000 |
| Conditions met - capital | - | - |
| Conditions met - operating | (790 000) | (737 817) |
| Conditions still to be met / (unpaid grants for conditions already met) | - | - |
| <p>MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.</p> | | |
| 18.4 Financial Management Grant (FMG) | | |
| Opening balance | - | - |
| Grants received | 1 500 000 | 1 250 000 |
| Conditions met - capital | - | - |
| Conditions met - operating | (1 500 000) | (1 250 000) |
| Conditions still to be met | - | - |
| <p>FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).</p> | | |
| 18.5 National Electrification Programme Grant (NER) | | |
| Opening balance | (231 674) | 6 984 294 |
| Grants received | 1 000 000 | - |
| Conditions met - capital | (86 987) | (7 215 968) |
| Conditions met - operating | - | - |
| Conditions still to be met | 681 339 | (231 674) |
| <p>The National Electrification Grant is used for electrical connections in previously disadvantaged areas.</p> | | |
| 18.6 ECDC | | |
| Opening balance | 7 815 866 | (301 374) |
| Grants received | 8 090 452 | 24 755 140 |
| Conditions met - capital | (12 999 594) | (16 637 899) |
| Conditions met - operating | - | - |
| Conditions still to be met / (unpaid grants for conditions already met) | 2 906 724 | 7 815 866 |
| <p>The ECDC Grant is used for the Ugie / PG Bison development.</p> | | |
| 18.7 Other Grants | | |
| Opening balance | 7 476 192 | 9 881 234 |
| Grants received | 976 947 | 1 924 604 |
| Conditions met - capital | - | - |
| Conditions met - operating | (1 160 778) | (4 329 645) |
| Conditions still to be met | 7 292 361 | 7 476 192 |
| <p>Various grants were received from other spheres of government.</p> | | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-------------|--|-------------------|-------------------|
| 18.8 | Total Grants | | |
| | Opening balance | 15 281 114 | 20 678 344 |
| | Grants received | 100 896 194 | 93 040 970 |
| | Conditions met - Capital | (35 072 663) | (41 439 511) |
| | Conditions met - Operating | (70 224 221) | (56 998 689) |
| | Conditions still to be met/(Grant expenditure to be recovered) | 10 880 424 | 15 281 114 |
| | <u>Disclosed as follows:</u> | | |
| | Unspent Conditional Government Grants and Receipts | 10 880 460 | 15 512 824 |
| | Unpaid Conditional Government Grants and Receipts | (36) | (231 710) |
| | | 10 880 424 | 15 281 114 |
| 19 | SERVICE CHARGES | | |
| | Electricity | 14 247 857 | 12 224 540 |
| | Refuse Removal | 6 917 434 | 6 524 695 |
| | | 21 165 291 | 18 749 235 |
| | Less: Rebates | (2 501 806) | (1 622 312) |
| | Total Service Charges | 18 663 485 | 17 126 923 |
| | As previously reported | | 20 946 447 |
| | Less: Discontinued Operations - note 35 | | (3 819 524) |
| | Restated balance | | 17 126 923 |
| | Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. | | |
| 20 | WATER SERVICES AUTHORITY CONTRIBUTION | | |
| | Joe Gqabi District Municipality - Water and Sewerage functions | - | - |
| | Total Water Service Authority Contribution | - | - |
| | As previously reported | | 9 324 797 |
| | Less: Discontinued Operations - note 35 | | (9 324 797) |
| | Restated Balance | | - |
| | An agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality. | | |
| 21 | PLANT INCOME | | |
| | Earnings prior to depreciation and amortisation | 1 852 373 | 1 759 572 |
| | Less: Depreciation and Amortisation - note 27 | (1 854 074) | (1 759 572) |
| | As previously reported | | - |
| | Prior year error restatement - note - 36.06 | | (1 759 572) |
| | Total Plant Income | (1 701) | - |
| | Plant Income is associated with roads construction for MIG projects. | | |
| 22 | LICENCES AND PERMITS | | |
| | Driving Licences | 420 384 | 326 889 |
| | Learner Driving Licences | 357 065 | 349 841 |
| | Number Plates | 11 700 | 24 685 |
| | Public Drivers Permits | 161 088 | 108 471 |
| | Registrations | 753 000 | 613 185 |
| | Total Licences and Permits | 1 703 237 | 1 423 071 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-----------|--|-------------------|-------------------|
| 23 | OTHER INCOME | | |
| | Commission Received | 65 419 | 105 138 |
| | Insurance Claims Received | 219 572 | 16 873 |
| | Tender Document Sales | 66 200 | 56 650 |
| | LGSETA Claims Received | 219 431 | 74 168 |
| | Pound Fees | 89 474 | 98 784 |
| | Income form Caravan Parks and Chalets | 8 284 | 5 970 |
| | Cemetery Fees | 19 660 | 14 406 |
| | Building Plan & Inspection | 50 394 | 35 305 |
| | Auction Sales | 41 570 | 86 454 |
| | Discounts received | 150 795 | 85 773 |
| | Sundry Income | 428 824 | 552 421 |
| | Total Other Income | 1 359 623 | 1 131 942 |
| | | | |
| 24 | EMPLOYEE RELATED COSTS | | |
| | Bonus | 1 912 581 | 1 639 676 |
| | Bursary Scheme | 50 721 | 61 496 |
| | Contribution to Current Employee Benefits - Staff Leave - Note 5 | 558 536 | 917 141 |
| | Contribution to Employee Benefits - Long Service Awards - Note 5 | 254 417 | 228 255 |
| | Medical Aid Contributions | 2 208 820 | 1 884 339 |
| | Overtime | 521 436 | 167 105 |
| | Pension Fund Contributions | 2 867 797 | 2 696 098 |
| | Performance Bonuses | 1 307 675 | 1 169 355 |
| | Salaries and Wages | 24 878 172 | 20 427 401 |
| | Skills Development Levy | 417 951 | 483 869 |
| | Travel, motor car, telephone, assistance and other allowances | 4 723 349 | 4 170 032 |
| | UIF Contributions | 215 305 | 188 919 |
| | Workmens Compensation Contributions | 9 016 | 404 137 |
| | Total Employee Related Costs | 39 925 776 | 34 437 823 |
| | As previously reported | | 39 772 602 |
| | Less: Discontinued Operations - note 35 | | (5 334 779) |
| | Restated Balance | | 34 437 823 |
| | | | |
| | KEY MANAGEMENT PERSONNEL | | |
| | Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year. | | |
| | REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| | <i>Municipal Manager - K Gashi</i> | | |
| | Remuneration | 763 579 | 803 907 |
| | Car and other allowances | 152 547 | 122 150 |
| | Performance Bonuses | 128 474 | 129 864 |
| | Contributions to UIF, Medical and Pension Funds | 84 992 | 1 547 |
| | Total | 1 129 592 | 1 057 468 |
| | | | |
| | <i>Manager Infrastructure Planning and Development - C Qotoyi (resigned 30/04/2012)</i> | | |
| | Remuneration | 536 158 | 517 022 |
| | Car and other allowances | 289 720 | 268 306 |
| | Performance Bonuses | 97 456 | 110 163 |
| | Contributions to UIF, Medical and Pension Funds | 1 547 | 1 547 |
| | Total | 924 881 | 897 038 |
| | | | |
| | <i>Manager Corporate Services - S Matubatuba</i> | | |
| | Remuneration | 473 940 | 467 465 |
| | Car and other allowances | 432 302 | 391 937 |
| | Performance Bonuses | 127 091 | 120 533 |
| | Contributions to UIF, Medical and Pension Funds | 1 547 | 1 547 |
| | Total | 1 034 880 | 981 482 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---|-------------------|-------------------|
| Chief Financial Officer - SW Goodall | | |
| Remuneration | 689 958 | 569 301 |
| Car and other allowances | 180 600 | 154 000 |
| Performance Bonuses | 122 095 | 101 478 |
| Contributions to UIF, Medical and Pension Funds | 1 547 | 1 547 |
| Total | 994 200 | 826 326 |
| Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012) | | |
| Remuneration | 508 680 | 499 311 |
| Car and other allowances | 395 775 | 356 932 |
| Performance Bonuses | 107 349 | 120 091 |
| Contributions to UIF, Medical and Pension Funds | 1 547 | 1 547 |
| Total | 1 013 351 | 977 881 |
| Manager Community Services - M Ntaba (appointed 03/04/2012) | | |
| Remuneration | 130 833 | - |
| Car and other allowances | 105 933 | - |
| Performance Bonuses | 29 001 | - |
| Contributions to UIF, Medical and Pension Funds | 387 | - |
| | 266 153 | - |
| 25 REMUNERATION OF COUNCILLORS | | |
| Salaries | 5 675 487 | 5 000 049 |
| Travel and other allowances | 2 028 228 | 1 936 488 |
| Pension Fund Contributions | 34 716 | 46 943 |
| Total Councillors' Remuneration | 7 738 431 | 6 983 480 |
| In-kind Benefits | | |
| The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council. | | |
| 26 DEBT IMPAIRMENT | | |
| Receivables from Exchange Transactions - Note 14 | 10 969 973 | 9 579 995 |
| Receivables from Non-exchange Transactions - Note 15 | (880 298) | (1 323 446) |
| Total Contribution to Impairment Provision | 10 089 675 | 8 256 549 |
| Add/(Less): Portion Relating to VAT - Refer to note 9 | 1 834 631 | (1 317 056) |
| Less: Discontinued Operations - note 35 | (1 024 749) | (2 480 683) |
| Total Debt Impairment | 10 899 557 | 4 458 810 |
| 27 DEPRECIATION AND AMORTISATION | | |
| Property, Plant and Equipment | 35 831 055 | 32 573 190 |
| As previously reported | | - |
| Prior period adjustments - note 36.06 | | 32 573 190 |
| Investment Property | 75 312 | 75 106 |
| As previously reported | | - |
| Prior period adjustments - note 36.07 | | 75 106 |
| Intangible Assets | 12 408 | - |
| Total Depreciation and Amortisation | 35 918 775 | 32 648 296 |
| Less: Depreciation and Amortisation associated with Plant Income - note 21 | (1 854 074) | (1 759 572) |
| Total Depreciation and Amortisation | 34 064 701 | 30 888 724 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-----------|--|-------------------|-------------------|
| 28 | IMPAIRMENTS | | |
| | Property, Plant and Equipment | 3 498 | 49 353 |
| | As previously reported | | - |
| | Prior period adjustments - note 36.06 | | 49 353 |
| | Total Impairments | 3 498 | 49 353 |
| | The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate. | | |
| | | | |
| 29 | REPAIRS AND MAINTENANCE | | |
| | Infrastructure | 3 386 165 | 779 706 |
| | As previously reported | | 820 325 |
| | Prior year error restatement - note 36.04 | | 22 385 |
| | Prior year error restatement - note 36.05 | | (63 004) |
| | Land and Buildings | 142 778 | 307 035 |
| | As previously reported | | 471 620 |
| | Prior year error restatement - note 36.06 | | (164 585) |
| | Other Assets | 705 946 | 525 243 |
| | As previously reported | | 517 072 |
| | Prior year error restatement - note 36.04 | | 8 171 |
| | Total Repairs and Maintenance | 4 234 889 | 1 611 984 |
| | As previously reported | | 2 284 437 |
| | Less: Discontinued Operations - note 35 | | (475 420) |
| | Less: Prior year error restatement - note 36.04 | | 30 556 |
| | Less: Prior year error restatement - note 36.05 | | (63 005) |
| | Less: Prior year error restatement - note 36.06 | | (164 585) |
| | Restated Balance | | 1 611 984 |
| | | | |
| 30 | FINANCE CHARGES | | |
| | Long-term Liabilities | 46 070 | 49 483 |
| | Finance leases | 13 317 | 11 539 |
| | Non-Current Employee Benefits | 261 958 | 232 036 |
| | Non-Current Provisions - Rehabilitation of Landfill Sites | 294 748 | 285 835 |
| | As previously reported | | - |
| | Prior year error restatement - note 36.09 | | 285 835 |
| | SARS Interest and Penalties | 694 321 | - |
| | Interest charged by Creditors | 30 808 | - |
| | Total Finance Charges | 1 341 222 | 578 893 |
| | | | |
| 31 | BULK PURCHASES | | |
| | Electricity | 13 608 906 | 11 847 738 |
| | Total Bulk Purchases | 13 608 906 | 11 847 738 |
| | | | |
| 32 | GRANTS AND SUBSIDIES | | |
| | Joe Gqabi Economic Development Agency | 350 000 | - |
| | Total Grants and Subsidies | 350 000 | - |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-----------|--|-------------------|-------------------|
| 33 | OPERATING GRANT EXPENDITURE | | |
| | Budget & Treasury | 2 013 886 | 1 839 193 |
| | Electricity | 206 459 | 327 660 |
| | Executive & Council | 248 727 | 357 309 |
| | Corporate Services | - | 115 635 |
| | Planning & Development | - | 2 666 792 |
| | Road Transport | - | 593 373 |
| | Waste Management | - | 546 221 |
| | Total Grant Expenditure | 2 469 072 | 6 446 183 |
| | As previously reported | | 6 450 786 |
| | Less: Discontinued Operations - note 35 | | (4 603) |
| | Restated Balance | | 6 446 183 |
| | | | |
| 34 | GENERAL EXPENSES | | |
| | Advertising | 326 333 | 595 815 |
| | Auditors Remuneration | 1 730 683 | 2 100 038 |
| | Bank Charges | 156 134 | 172 418 |
| | Cleaning Materials | 37 892 | 23 247 |
| | Commission Paid | 434 295 | 1 296 199 |
| | As previously reported | | 1 170 199 |
| | Prior period adjustments - note 36.04 | | 126 000 |
| | Conferences and Seminars | 598 467 | 408 761 |
| | Consulting, Professional and Legal Fees | 6 879 454 | 4 575 367 |
| | Entertainment and Catering | 1 355 086 | 706 672 |
| | Eskom - Demand Upgrade | - | 195 199 |
| | Fraud Prevention Plan | 74 366 | 71 474 |
| | Fuel and Oil | 989 896 | 650 345 |
| | Gifts | 28 601 | 58 123 |
| | Insurance | 969 019 | 471 701 |
| | Job Evaluation | 113 125 | - |
| | Lease rentals on operating lease: Office Equipment | 231 885 | 222 190 |
| | Licence Fees | 237 336 | 208 576 |
| | Magazines, Books and Periodicals | 2 410 | 8 143 |
| | Postage and Courier | 25 658 | 28 299 |
| | Printing and Stationery | 480 390 | 902 989 |
| | Promotions and Sponsorships | 1 505 834 | 2 988 342 |
| | Protective Clothing | 258 606 | 67 959 |
| | Public Participation | 239 713 | - |
| | Refuse Bags and Containers | 71 154 | 105 850 |
| | Security (Guarding of Municipal Property) | 855 431 | 657 641 |
| | Service Standard Charter | 110 313 | 242 951 |
| | Small Tools and Equipment | 191 822 | 158 260 |
| | Special Programmes | 3 308 576 | 789 257 |
| | Staff Tea and Coffee | 12 593 | 12 128 |
| | Subscriptions and Membership Fees | 798 478 | 301 944 |
| | Telephone and fax | 1 534 406 | 1 055 264 |
| | Town Planning and Property Valuation Fees | 44 872 | 652 039 |
| | Traffic Department Costs | 89 603 | 43 871 |
| | Training | 840 045 | 740 698 |
| | Travel and Subsistence | 4 137 352 | 3 636 713 |
| | Ward Committees | 338 550 | 443 358 |
| | Other Expenditure | 274 592 | 208 184 |
| | Total General Expenses | 29 282 970 | 24 800 015 |
| | As previously reported | | 25 078 584 |
| | Less: Discontinued Operations - note 35 | | (404 569) |
| | Less: Prior period adjustments - note 36.04 | | 126 000 |
| | Restated Balance | | 24 800 015 |

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

Included in Lease Rentals is an operating lease with Joe Gqabi District Municipality. Effective 1 July 2009 an agreement was entered with Joe Gqabi District Municipality whereby the water and sanitation assets are rented from the District Municipality for a nominal sum of R1 per year. The contract is renewable annually. In terms of the agreement all assets to water and sanitation are capitalised in the records of the water services authority being Joe Gqabi District Municipality. In terms of the trading activity, due to the fact that the Elundini Municipality accrue for all income and expenditure, all accounts receivable will also accrue to the water service provider, being Elundini Municipality. An operating subsidy is also accrued for annually from the District Municipality based on the lease agreement concluded.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-----------|--|-------------------|-------------------|
| 35 | DISCONTINUED OPERATIONS | | |
| | The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012. | | |
| | <u>The effect of Discontinued Operations on the Statement of Financial Position is as follows:</u> | | |
| | Liabilities associated with Discontinued Operations | | |
| | Employee Benefits | 390 069 | - |
| | Consumer Deposits | 45 258 | - |
| | Current Employee Benefits | 554 607 | - |
| | Taxes | 200 183 | - |
| | | 1 190 117 | - |
| | Assets associated with Discontinued Operations | | |
| | Receivable from non-exchange transactions | 2 099 947 | - |
| | Water | 1 950 007 | - |
| | Sewerage | 149 940 | - |
| | Inventory | 599 408 | - |
| | | 2 699 355 | - |
| | <u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u> | | |
| | Revenue | | |
| | Service Charges | 3 870 907 | 3 819 524 |
| | Water Services Authority Contribution | 9 903 000 | 9 324 797 |
| | Total Revenue | 13 773 907 | 13 144 321 |
| | Expenditure | | |
| | Employee Related Costs | 6 606 336 | 5 334 779 |
| | Debt Impairment | 1 024 749 | 2 480 683 |
| | Repairs and Maintenance | 710 507 | 476 604 |
| | As previously reported | | 475 420 |
| | Prior period adjustments - note 36.04 | | 1 185 |
| | Operating Grant Expenditure | 6 659 | 4 603 |
| | General Expenses | 835 468 | 398 283 |
| | As previously reported | | 404 569 |
| | Prior period adjustments - note 36.05 | | (10 286) |
| | Prior period adjustments - note 36.04 | | 4 000 |
| | | 9 183 719 | 8 694 952 |
| | Net Surplus for the year | 4 590 187 | 4 449 369 |

| | | | 2011 R |
|--------------|---|--|-----------|
| 36 | PRIOR PERIOD ADJUSTMENTS IN TERMS OF GRAP 3 | | |
| | Prior period adjustments includes corrections of errors as well as retrospective adjustments due to the Transitional Provisions contained in Directive 4 not being available to the Municipality on 30 June 2012. | | |
| 36.01 | Conditional Government Grants | | |
| | The following errors were noted and corrected: | | |
| | <u>Grant income not recognised where conditions were met - refer to note 8 and 18</u> | | |
| | National Government Grants | | 375 609 |
| | Accumulated Surplus - 1 July 2010 note - 36.11 | | (375 609) |
| | <u>Grant income recognised where conditions not were met - refer to note 8 and 18</u> | | |
| | National Government Grants | | (323 299) |
| | Municipal Infrastructure Grant (MIG) | | 313 878 |
| | Accumulated Surplus - 1 July 2010 note - 36.11 | | 9 421 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2011 R |
|--|---------------|
| 36.02 Property Rates and Service Charges | |
| <p>In the current year errors were noted with regards to property rates and service charges. Errors included levies on municipal owned property and churches, water leakages and electricity connection errors. Accordingly, Receivables, Service Charges and Property Rates were overstated.</p> | |
| Refer to Receivables from Exchange Transactions - note 14 | (38 091) |
| Refer to Receivables from Exchange Transactions - note 14 | (32 191) |
| Refer to Receivables from Exchange Transactions - note 14 | (104 880) |
| Refer to Receivables from Exchange Transactions - note 14 | (52 526) |
| Refer to Receivables from Exchange Transactions - note 14 | (16 182) |
| Refer to Receivables from Non-Exchange transactions - note 15 | (143 383) |
| Accumulated Surplus - 1 July 2010 note - 36.11 | 387 254 |
| <p>The water and sanitation receivables that were transferred on 1 July 2009 from the District Municipality as per service level agreement, were at actual values. The transferred receivables should have been recorded at Rnil value, as no consideration in the form of assets were given to the District Municipality.</p> | |
| Refer to Receivables from Exchange Transactions - note 14 | 8 691 153 |
| Refer to Receivables from Exchange Transactions - note 14 | (6 462 548) |
| Refer to Receivables from Exchange Transactions - note 14 | (2 228 605) |
| 36.03 Value Added Tax | |
| <p>In the current year outstanding VAT subject to SARS audits were paid. The outstanding VAT related to years prior to 2007. The Municipality elected to write off these VAT in the prior year. Accordingly, both VAT and Accumulated Surplus were understated.</p> | |
| Refer to Taxes - note 9 | 1 879 959 |
| Accumulated Surplus - 1 July 2010 note - 36.11 | (1 879 959) |
| 36.04 Payables from Exchange Transactions | |
| <p>During the year invoices were received relating to prior year. These invoices were not accrued for on 30 June 2011. Accordingly, Payables from Exchange Transactions and General Expenses were understated, while Accumulated Surplus were overstated.</p> | |
| Refer to Payables from Exchange Transactions - note 7 | (609 667) |
| Refer to Repairs and Maintenance (Infrastructure) - note 29 | 22 385 |
| Refer to Repairs and Maintenance (Other Assets) - note 29 | 8 171 |
| Refer to General Expenses - note 34 | 126 000 |
| Refer to Discontinued Operations (Repairs and Maintenance) - note 35 | 1 185 |
| Refer to Discontinued Operations - note 35 | 4 000 |
| Accumulated Surplus - 1 July 2010 note - 36.11 | 447 926 |
| 36.05 Inventory | |
| <p>In the prior year the Municipality adopted Directive 4 whereby the measurement Inventory was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Inventory. The effects were as follow:</p> | |
| Refer to Inventory - Consumable Stores - note 13 | 637 232 |
| Refer to Inventory - Land held for Sale - note 13 | 7 487 945 |
| Refer to Inventory - Water - note 13 | 27 049 |
| Refer to Statement of Financial Performance - Gain or loss on disposal of Inventory - note 36.10 | 37 482 |
| Refer to Repair and Maintenance 29 | (63 004) |
| Refer to Discontinued Operations - General Expenses - note 35 | (10 286) |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | (8 116 419) |
| 36.06 Property, Plant and Equipment | |
| <p>In the prior year the Municipality adopted Directive 4 whereby the measurement of Property, Plant and Equipment was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Property, Plant and Equipment. During the process of measurement, it was also noted that some capital items were donated or captured as expenditure in the prior year or there were retention errors. The effects were as follow:</p> | |
| Refer to Statement of Financial Performance - Public Contributions and Donations - note 36.10 | (33 583) |
| Refer to Payables from Exchange Transactions - note 7 | (684 516) |
| Refer to Payables from Exchange Transactions - note 7 | 273 577 |
| Refer to Taxes - note 9 | (33 598) |
| Refer to Payables from Exchange Transactions - note 7 | 236 718 |
| Refer to Taxes - note 9 | (29 071) |
| Refer to Repairs and Maintenance - note 29 | (164 585) |
| Refer to Statement of Financial Performance - Gain or loss on disposal of PPE - note 36.10 | (71 497) |
| Refer to Plant Income - note 21 | 1 759 572 |
| Refer to Depreciation and Amortisation - note 27 | 30 813 618 |
| Refer to Impairments - note 28 | 49 353 |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | (255 553 299) |
| Refer to Property, Plant and Equipment - note 10 | 223 437 312 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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Details with regards to Property, Plant and Equipment is as follow:

Land and Buildings

| | |
|--|-------------|
| Land - Cost (Opening balance) | 4 587 981 |
| Land - Cost (Disposals) | 3 840 044 |
| Buildings - Cost (Opening Balance) | 18 866 870 |
| Buildings - Cost (Additions) | (5 271 890) |
| Buildings - Accumulated Depreciation (Opening balance) | (320 902) |
| Buildings - Accumulated Depreciation (Depreciation Charge) | (193 208) |
| Capitalised Restoration Costs - Cost (Opening balance) | 3 995 672 |
| Capitalised Restoration Costs - Accumulated Depreciation (Opening balance) | (1 038 384) |
| Capitalised Restoration Costs - Accumulated Depreciation (Depreciation Charge) | (198 342) |
| Capitalised Restoration Costs - Accumulated Depreciation (Impairment Charge) | (49 353) |
| Work in Progress - Cost (Opening balance) | 597 447 |
| Work in Progress - Cost (Additions) | 6 535 965 |

Infrastructure

| | |
|---|--------------|
| Electricity - Cost (Opening balance) | 33 144 496 |
| Electricity - Cost (Additions) | (19 293 849) |
| Electricity - Cost (Transfer to Capital Assets) | 4 837 421 |
| Electricity - Accumulated Depreciation (Opening balance) | (2 145 427) |
| Electricity - Accumulated Depreciation (Depreciation Charge) | (1 145 076) |
| Roads, Pavements, Bridges & Storm Water - Cost (Opening balance) | 215 242 595 |
| Roads, Pavements, Bridges & Storm Water - Cost (Additions) | (17 461 988) |
| Roads, Pavements, Bridges & Storm Water - Cost (Transfer to Capital Assets) | 19 355 643 |
| Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Opening balance) | (35 008 324) |
| Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Depeciation Charge) | (27 614 551) |
| Work in Progress - Cost (Opening balance) | 21 662 369 |
| Work in Progress - Cost (Additions) | 34 827 684 |
| Work in Progress - Cost (Transfer to Capital Assets) | (24 193 064) |

Community Assets

| | |
|--|-------------|
| Cemeteries - Cost (Opening balance) | (120 918) |
| Civic Building - Cost (Opening balance) | (833 398) |
| Community Halls - Cost (Opening balance) | (1 643 583) |
| Community Halls - Cost (Additions) | (1 034 297) |
| Markets - Cost (Opening balance) | (734 458) |
| Markets - Cost (Additions) | (215 551) |
| Parks & Gardens - Cost (Opening balance) | (400 357) |
| Parks & Gardens - Cost (Additions) | (17 600) |
| Public Conveniences & Bathhouses - Cost (Opening balances) | (5) |
| Recreational Grounds - Cost (Opening balances) | (7) |
| Town Library - Cost (Opening balances) | (160 558) |
| Transport Facilities - Cost (Opening balances) | (3) |

Leased Assets

| | |
|---|-----------|
| Office Equipment - Accumulated Depreciation | (112 811) |
| Office Equipment - Depreciation Charge | (56 483) |

Other Assets

| | |
|---|-------------|
| Furniture & Fittings - Cost (Opening balance) | 1 046 152 |
| Furniture & Fittings - Cost (Additions) | (37 095) |
| Furniture & Fittings - Cost (Disposals) | (6 675) |
| Furniture & Fittings - Accumulated Depreciation (Opening balance) | (514 235) |
| Furniture & Fittings - Accumulated Depreciation (Depreciation Charge) | (308 655) |
| Furniture & Fittings - Accumulated Depreciation (Disposals) | 21 005 |
| Motor Vehicles - Cost (Opening balances) | 3 323 506 |
| Motor Vehicles - Cost (Disposals) | (427 504) |
| Motor Vehicles - Accumulated Depreciation (Opening balance) | (697 520) |
| Motor Vehicles - Accumulated Depreciation (Depreciation Charge) | (1 111 078) |
| Motor Vehicles - Accumulated Depreciation (Disposals) | 230 641 |
| Computer Equipment - Cost (Opening balance) | (97 663) |
| Computer Equipment - Cost (Disposals) | 685 |
| Computer Equipment - Accumulated Depreciation (Opening balance) | (339 284) |
| Computer Equipment - Accumulated Depreciation (Depreciation Charge) | (269 079) |
| Computer Equipment - Accumulated Depreciation (Disposals) | 19 147 |
| Plant and Machinery - Cost (Opening balance) | (3 501 781) |
| Plant and Machinery - Cost (Additions) | 33 583 |
| Plant and Machinery - Cost (Disposals) | 467 233 |
| Plant and Machinery - Accumulated Depreciation (Opening balance) | (955 403) |
| Plant and Machinery - Accumulated Depreciation (Depreciation Charge) | (1 676 717) |
| Plant and Machinery - Accumulated Depreciation (Disposals) | 8 247 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2011 R |
|---|--------------------|
| 36.07 Investment Property | |
| <p>In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:</p> | |
| Refer to Investment Property - Opening balance (Cost) - note 11 | 25 190 727 |
| Refer to Investment Property - Opening balance (Accumulated Depreciation) - note 11 | (150 212) |
| Refer to Investment Property - Depreciation - note 11 | (75 106) |
| Refer to Investment Property - Disposals - note 11 | (22 500) |
| Refer to Statement of Financial Performance - Gain or loss on disposal of Investment Property - note 36.10 | 10 900 |
| Refer to Depreciation and Amortisation - note 27 | 75 106 |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | (25 028 915) |
| 36.08 Intangible Assets | |
| <p>In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:</p> | |
| Refer to Intangible Assets - note 12 | (36 721) |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | 36 721 |
| 36.09 Provision for Landfill Sites | |
| <p>Adjustments made to capital restoration costs as per note 36.06 had the following effect on the provision for landfill sites:</p> | |
| Refer to Finance Charges - note 30 | 285 835 |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | (285 835) |
| 36.10 Statement of Financial Performance | |
| Public Contributions and Donations | 48 583 |
| As previously reported | 15 000 |
| Refer to Property, Plant and Equipment - note 36.06 | 33 583 |
| Gain or loss on disposal of Property, Plant and Equipment | 281 300 |
| As previously reported | 352 797 |
| Refer to Property, Plant and Equipment - note 36.06 | (71 497) |
| Gain or loss on disposal of Inventory | 37 482 |
| As previously reported | - |
| Refer to Inventory - note 36.06 | 37 482 |
| Gain or loss on disposal of Investment Property | 10 900 |
| As previously reported | - |
| Refer to Investment Property - note 36.07 | 10 900 |
| 36.11 Accumulated Surplus - 1 July 2010 | |
| Conditional Government Grants - note 36.01 | 375 609 |
| Conditional Government Grants - note 36.01 | (9 421) |
| Property Rates and Service Charges - note 36.02 | (387 254) |
| Value Added Tax - note 36.03 | 1 879 959 |
| Payables from Exchange Transactions - note 36.04 | (447 926) |
| Inventory - note 36.06 | 8 116 419 |
| Property, Plant and Equipment - note 36.06 | 255 553 299 |
| Investment Property note - 36.07 | 25 028 915 |
| Intangible Assets - note 36.08 | (36 721) |
| Provision for Landfill Sites - note 36.09 | 285 835 |
| Total | 290 358 714 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|-------------------|-------------------|
| 37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS | | |
| Surplus for the year | 5 987 342 | 19 035 531 |
| Adjustments for: | | |
| (Gain)/Loss on disposal of Property, Plant and Equipment | 178 174 | 281 300 |
| (Gain)/Loss on disposal of Investment Property | - | 10 900 |
| Contribution from/to employee benefits - non-current | 516 105 | 460 760 |
| Contribution from/to employee benefits - non-current - expenditure incurred | (166 017) | (213 125) |
| Contribution from/to employee benefits - non-current - loss/(actuarial gains) | 305 419 | (80 868) |
| Contribution to employee benefits – current | 5 132 254 | 3 259 076 |
| Contribution to employee benefits – current - expenditure incurred | (2 300 654) | (1 800 551) |
| Contribution to provisions – current | 294 748 | 285 835 |
| Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt | 10 089 675 | 8 256 549 |
| Bad debts written off | (20 553 398) | (3 823 967) |
| Grants Received | 100 896 194 | 93 040 970 |
| Grant Expenditure | (105 296 884) | (98 438 200) |
| Depreciation and Amortisation | 35 918 775 | 32 648 296 |
| Impairments | 3 498 | 49 353 |
| Operating Surplus/(Deficit) before changes in working capital | 31 005 231 | 52 971 859 |
| Changes in working capital | 20 480 744 | (17 751 018) |
| Increase/(Decrease) in Payables from Exchange Transactions | 6 149 522 | (3 213 347) |
| Increase/(Decrease) in Taxes | 10 824 993 | 3 507 832 |
| (Increase)/Decrease in Inventory | (422 579) | (2 449 852) |
| (Increase)/Decrease in Receivables from exchange transactions | 6 237 979 | (17 616 699) |
| (Increase)/Decrease in Receivables from non-exchange transactions | (2 309 171) | 2 021 049 |
| Cash generated/(absorbed) by operations | 51 485 975 | 35 220 841 |
| 38 CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| Call Investments Deposits - Note 16 | 37 584 839 | 22 441 664 |
| Cash Floats - Note 16 | 2 171 | 3 851 |
| Bank - Note 16 | 3 433 016 | 5 451 051 |
| Total cash and cash equivalents | 41 020 026 | 27 896 566 |
| 39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES | | |
| Cash and Cash Equivalents - Note 38 | 41 020 026 | 27 896 566 |
| Less: | (10 880 459) | (15 281 115) |
| Unspent Committed Conditional Grants - Note 8 | (10 880 459) | (15 281 115) |
| Net cash resources available for internal distribution | 30 139 567 | 12 615 451 |
| 40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| Long-term Liabilities - Note 2 | 203 731 | 330 340 |
| Used to finance property, plant and equipment - at cost | (203 731) | (330 340) |
| Cash invested for repayment of long-term liabilities | - | - |

Annuity loans at amortised cost is calculated at 17.36% interest rate, with maturity date of 20 June 2015.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

41 BUDGET COMPARISONS

| | 2012 Actual (R) | 2012 Budget (R) | 2012 Variance (R) | 2012 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|--|----------------------|----------------------|----------------------|----------------------|--|
| Revenue by Source | | | | | |
| Property Rates | 11 980 138 | 13 841 822 | (1 861 684) | -13.45% | Application of GRAP 23 resulted in understatement as oppose to Treasury budget requirements. |
| Government Grants and Subsidies | 105 296 884 | 100 312 621 | 4 984 263 | 4.97% | Accelerated service on ECDC funded programmes. |
| Public Contributions and Donations | 62 755 | 62 755 | 0 | 0.00% | Donations not anticipated. |
| Fines | 101 754 | 72 862 | 28 892 | 39.65% | Cooperative agreement with Department of Transport augmenting our service delivery function. |
| Service Charges | 18 663 485 | 16 003 964 | 2 659 521 | 16.62% | Revenue enhancement and debt reduction programme. |
| Plant Income | (1 701) | 15 033 647 | (15 035 348) | -100.01% | Inter-departmental charges. |
| Rental of Facilities and Equipment | 670 661 | 833 000 | (162 339) | -19.49% | High level of evictions due to non-payment. |
| Interest Earned - external investments | 2 077 383 | 2 655 000 | (577 617) | -21.76% | Accelerated service delivery resulted limited available surplus funding for investment purposes. |
| Interest Earned - outstanding debtors | 4 721 186 | 3 301 598 | 1 419 588 | 43.00% | Bad debts only written down at year end. |
| Licences and Permits | 1 703 237 | 1 790 040 | (86 803) | -4.85% | In line with expectation. |
| Other Income | 1 359 623 | 15 707 310 | (14 347 687) | -91.34% | Deficit funding of capex programmes funded from retained earnings. |
| | 146 635 405 | 169 551 864 | (22 916 459) | -13.52% | |
| Expenditure by Nature | | | | | |
| Employee Related Costs | (39 925 776) | (40 306 105) | 380 329 | -0.94% | In line with expectation. |
| Remuneration of Councillors | (7 738 431) | (7 782 949) | 44 518 | -0.57% | In line with expectation. |
| Debt Impairment | (10 899 557) | (9 924 190) | (975 367) | 9.83% | In line with expectation. |
| Depreciation and Amortisation | (34 064 701) | (4 090 000) | (29 974 701) | 732.88% | Application of items previously exempt in term of Directive 4. |
| Impairments | (3 498) | - | (3 498) | 0.00% | Application of items previously exempt in term of Directive 4. |
| Actuarial Loss | (305 419) | (200) | (305 219) | 152609.50% | Discount rate used by actuaries less than last year. |
| Collection Cost | (780 709) | (1 503 559) | 722 850 | -48.08% | In line with expectation. |
| Repairs and Maintenance | (4 234 889) | (5 470 907) | 1 236 018 | -22.59% | Non-implementation of service level agreement with Department of Public Works. |
| Finance Charges | (1 341 222) | (106 843) | (1 234 379) | 1155.32% | Discount rate used by actuaries less than last year and discounting of landfill site provision. |
| Bulk Purchases | (13 608 906) | (14 130 000) | 521 094 | -3.69% | In line with expectation. |
| Grants and Subsidies | (350 000) | (350 000) | - | 0.00% | In line with expectation. |
| Operating Grant Expenditure | (2 469 072) | (5 360 632) | 2 891 560 | -53.94% | Underspending on ECDC and NER programmes. |
| Gain or loss on disposal of PPE | (178 174) | - | (178 174) | 0.00% | Assets written off, but covered by insurance. |
| Gain or loss on disposal of Inventory | (54 926) | - | (54 926) | 0.00% | Sell of land held for sale. |
| General Expenses | (29 282 970) | (39 665 993) | 10 383 023 | -26.18% | Implementation of cost reduction strategy. |
| | (145 238 250) | (128 691 378) | (16 546 872) | 12.86% | |
| Net surplus from Continued Operations | 1 397 155 | 40 860 486 | (39 463 331) | -96.58% | |
| Discontinued Operations | 4 590 187 | 4 917 912 | (327 725) | -6.66% | Water and sanitation function to be transferred to District Municipality. |
| Net surplus for the year | 5 987 342 | 45 778 398 | (39 791 055) | -86.92% | |
| Operating Expenditure by vote | | | | | |
| Budget & Treasury | 33 786 360 | 25 335 102 | 8 451 258 | 33.36% | Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE and IP |
| Community & Social Services | 4 788 569 | 5 067 487 | (278 918) | -5.50% | In line with expectation. |
| Electricity | 18 877 216 | 23 559 512 | (4 682 296) | -19.87% | Underspending on ECDC and NER programmes. |
| Executive & Council | 20 458 183 | 20 697 325 | (239 142) | -1.16% | In line with expectation. |
| Corporate Services | 14 480 177 | 18 870 173 | (4 389 996) | -23.26% | Non-implementation of ICT Master Systems Plan. |
| Housing | 324 471 | 415 309 | (90 838) | -21.87% | Immaterial variance. |
| Planning & Development | 9 604 425 | 17 956 677 | (8 352 252) | -46.51% | Non-implementation of the Furniture Manufacturing and Hawkers stall projects. |
| Road Transport | 40 145 132 | 15 084 704 | 25 060 428 | 166.13% | Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE. |
| Sport & Recreation | 3 517 979 | 1 705 089 | 1 812 890 | 106.32% | Backpay according IMATU judgement. |
| Waste Management | 2 130 219 | 2 503 393 | (373 174) | -14.91% | Delayed implementation of landfill sites (PPP) outsourcing. |
| Water | 6 076 140 | 6 766 448 | (690 308) | -10.20% | Backpay according IMATU judgement. |
| | 154 188 872 | 137 961 219 | 16 227 652 | 11.76% | |
| Capital Expenditure by Vote | | | | | |
| Budget & Treasury | 1 417 320 | 1 904 600 | (487 280) | -25.58% | Delays in sourcing service provider to effect building additions to administrative building. |
| Community & Social Services | 173 744 | 243 080 | (69 336) | -28.52% | Project savings. |
| Electricity | 4 861 777 | 8 099 510 | (3 237 733) | -39.97% | Underspending on ECDC and NER programmes. |
| Executive & Council | 691 852 | 715 935 | (24 083) | -3.36% | In line with expectation. |
| Corporate Services | 131 041 | 411 145 | (280 104) | -68.13% | Delays in staff appointments and therefor furniture not procured. |
| Planning & Development | 419 592 | 2 128 853 | (1 709 261) | -80.29% | Delayed procurement of rear-end loader due to delays in appointment of PPP. |
| Road Transport | 30 430 964 | 35 611 275 | (5 180 311) | -14.55% | Underspending on ECDC programmes. |
| Sport & Recreation | 108 267 | 735 000 | (626 733) | -85.27% | Delays in appointment of consultants in sportfields development. |
| | 38 234 558 | 49 849 398 | (11 614 840) | -23.30% | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R | | | | | | |
|---|--|-------------------|---|---|-------------|---|-------------|--|--|
| 42 | UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | | | | | | | | |
| 42.1 | <u>Unauthorised expenditure</u> | | | | | | | | |
| | Reconciliation of unauthorised expenditure: | | | | | | | | |
| | Opening balance | 1 274 466 | 21 547 705 | | | | | | |
| | Unauthorised expenditure current year - capital | - | - | | | | | | |
| | Unauthorised expenditure current year - operating | 35 324 576 | 1 177 632 | | | | | | |
| | Approved by Council or condoned | - | (21 450 871) | | | | | | |
| | Transfer to receivables for recovery | - | - | | | | | | |
| | Unauthorised expenditure awaiting authorisation | 36 599 042 | 1 274 466 | | | | | | |
| | | <hr/> | <hr/> | | | | | | |
| | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Incident</th> <th style="width: 50%;">Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td><i>Over expenditure on votes</i></td> <td><i>None</i></td> </tr> </tbody> </table> | Incident | Disciplinary steps/criminal proceedings | <i>Over expenditure on votes</i> | <i>None</i> | | | | |
| Incident | Disciplinary steps/criminal proceedings | | | | | | | | |
| <i>Over expenditure on votes</i> | <i>None</i> | | | | | | | | |
| 42.2 | <u>Fruitless and wasteful expenditure</u> | | | | | | | | |
| | Reconciliation of fruitless and wasteful expenditure: | | | | | | | | |
| | Opening balance | 11 021 | 491 703 | | | | | | |
| | Fruitless and wasteful expenditure - current year | 722 913 | 11 021 | | | | | | |
| | Fruitless and wasteful expenditure - prior year | 12 358 | - | | | | | | |
| | Condoned or written off by Council | (11 021) | (491 703) | | | | | | |
| | Transfer to receivables for recovery - not condoned | - | - | | | | | | |
| | Fruitless and wasteful expenditure awaiting condonement | 735 271 | 11 021 | | | | | | |
| | | <hr/> | <hr/> | | | | | | |
| | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Incident</th> <th style="width: 50%;">Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td><i>Interest charged by creditors</i></td> <td><i>None</i></td> </tr> <tr> <td><i>SARS interest and penalties on VAT overclaimed</i></td> <td><i>None</i></td> </tr> </tbody> </table> | Incident | Disciplinary steps/criminal proceedings | <i>Interest charged by creditors</i> | <i>None</i> | <i>SARS interest and penalties on VAT overclaimed</i> | <i>None</i> | | |
| Incident | Disciplinary steps/criminal proceedings | | | | | | | | |
| <i>Interest charged by creditors</i> | <i>None</i> | | | | | | | | |
| <i>SARS interest and penalties on VAT overclaimed</i> | <i>None</i> | | | | | | | | |
| 42.3 | <u>Irregular expenditure</u> | | | | | | | | |
| | Reconciliation of irregular expenditure: | | | | | | | | |
| | Opening balance | - | 181 804 | | | | | | |
| | Irregular expenditure current year | 686 693 | - | | | | | | |
| | Condonement supported by council | - | (181 804) | | | | | | |
| | Transfer to receivables for recovery - not condoned | - | - | | | | | | |
| | Irregular expenditure awaiting condonement | 686 693 | - | | | | | | |
| | | <hr/> | <hr/> | | | | | | |
| | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Incident</th> <th style="width: 50%;">Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td><i>Non-compliance with Supply Chain Management Policy</i></td> <td><i>None</i></td> </tr> </tbody> </table> | Incident | Disciplinary steps/criminal proceedings | <i>Non-compliance with Supply Chain Management Policy</i> | <i>None</i> | | | | |
| Incident | Disciplinary steps/criminal proceedings | | | | | | | | |
| <i>Non-compliance with Supply Chain Management Policy</i> | <i>None</i> | | | | | | | | |
| | Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies. | | | | | | | | |
| 42.4 | <u>Material Losses</u> | | | | | | | | |
| | Electricity distribution losses | | | | | | | | |
| | Kwh purchased | 19 578 645 | 19 450 935 | | | | | | |
| | Less: Kwh sold | (13 488 402) | (13 020 214) | | | | | | |
| | Kwh losses | 6 090 243 | 6 430 721 | | | | | | |
| | % Losses | 31.11% | 33.06% | | | | | | |
| | Average cost per Kwh unit | 0.6890 | 0.5746 | | | | | | |
| | Losses in Rand Value | 4 196 127 | 3 695 402 | | | | | | |
| | | <hr/> | <hr/> | | | | | | |
| | A loss deduction strategy was developed. A revenue protection plan has been established for 2012/2013 to implement the reduction strategy in line with NERSA requirements to reduce losses. | | | | | | | | |
| | Water distribution losses | | | | | | | | |
| | Kilolitres purified | 1 452 396 | 893 120 | | | | | | |
| | Kilolitres lost during distribution | 539 696 | 314 868 | | | | | | |
| | Percentage lost during distribution | 37.16% | 35.25% | | | | | | |
| | Average cost per Kilolitre | 6.0490 | 7.6237 | | | | | | |
| | Losses in Rand Value | 3 264 597 | 2 400 450 | | | | | | |
| | | <hr/> | <hr/> | | | | | | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-------------|--|--|--|
| 43 | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 43.1 | <u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u> | | |
| | Council subscriptions | 395 374 | 239 262 |
| | Amount paid - current year | (395 374) | (239 262) |
| | Balance unpaid (included in creditors) | - | - |
| 43.2 | <u>Audit fees - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 183 323 | 228 000 |
| | Current year audit fees | 3 111 893 | 3 097 889 |
| | Amount paid - current year | (3 247 050) | (3 142 566) |
| | Balance unpaid (included in creditors) | 48 166 | 183 323 |
| 43.3 | <u>VAT - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 4 928 355 | 3 121 065 |
| | Amounts received - current year | (15 804 525) | (12 459 873) |
| | Amounts claimed - current year | 1 221 072 | 14 267 163 |
| | VAT Receivable | (9 655 098) | 4 928 355 |
| | VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. | | |
| 43.4 | <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | 10 000 | - |
| | Current year payroll deductions and Council Contributions | 7 856 518 | 6 491 879 |
| | Amount paid - current year | (7 846 518) | (6 481 879) |
| | Balance unpaid (included in creditors) | - | 10 000 |
| 43.5 | <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u> | | |
| | Opening balance | - | - |
| | Current year payroll deductions and Council Contributions | 10 079 922 | 9 342 993 |
| | Amount paid - current year | (10 079 922) | (9 342 993) |
| | Balance unpaid (included in creditors) | - | - |
| 43.6 | <u>Other non-compliance (MFMA 125(2)(e))</u> | | |
| | Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders: | | |
| | All the deviations were ratified by the Municipal Manager and reported to Council. | | |
| | Sole Providers | 2 781 562 | 3 623 449 |
| | Specialised Services | 1 569 008 | 1 030 634 |
| | Emergencies | 2 059 367 | 901 157 |
| | Variation Orders | 3 041 726 | 22 880 |
| | | 9 451 663 | 5 578 120 |
| | Municipal Manager Office | 1 815 564 | 2 372 548 |
| | Budget and Treasury Office | 915 650 | 1 342 315 |
| | Infrastructure Planning and Development | 5 578 966 | 1 273 265 |
| | Corporate Services | 499 507 | 422 419 |
| | Strategic Planning and Development | 357 279 | - |
| | Community Services | 284 697 | 167 573 |
| | | 9 451 663 | 5 578 120 |
| 43.7 | <u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u> | | |
| | | Outstanding more than 90 days | Outstanding more than 90 days |
| | The following Councillors had arrear accounts for more than 90 days as at 30 June: | | |
| | M Bomela | - | 3 994 |
| | L S Baduza | 2 623 | 6 464 |
| | Total Councillor Arrear Consumer Accounts as on 30 June | 2 623 | 10 458 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|-----------|---|-------------------|-------------------|
| 44 | CAPITAL COMMITMENTS | | |
| | Commitments in respect of capital expenditure: | | |
| | Approved and contracted for: | 39 706 993 | 23 650 456 |
| | Infrastructure | 39 706 993 | 23 650 456 |
| | Total | 39 706 993 | 23 650 456 |
| | This expenditure will be financed from: | | |
| | Government Grants | 38 672 967 | 23 650 456 |
| | Own funding | 1 034 026 | - |
| | | 39 706 993 | 23 650 456 |

45 FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the Municipality's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:

| | | |
|---|-----------|-----------|
| 0.5% (2011 - 0.5%) Increase in interest rates | 203 438 | 199 322 |
| 0.5% (2011 - 0.5%) Decrease in interest rates | (203 438) | (199 322) |

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the Municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 % | 2012 R | 2011 % | 2011 R |
|---------------------------------|-------------|-------------------|-------------|------------------|
| Balances past due not impaired: | | | | |
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 85.53% | 3 822 475 | 91.44% | 576 269 |
| Other | 14.47% | 646 532 | 8.56% | 53 978 |
| | <u>100%</u> | <u>4 469 007</u> | <u>100%</u> | <u>630 247</u> |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 10.95% | 1 789 050 | 27.09% | 1 182 422 |
| Water | 7.18% | 1 172 386 | 15.40% | 672 267 |
| Refuse | 18.74% | 3 059 840 | 32.80% | 1 431 696 |
| Sewerage | 0.53% | 86 858 | 2.21% | 96 385 |
| Other | 62.60% | 10 223 197 | 22.51% | 982 763 |
| | <u>100%</u> | <u>16 331 330</u> | <u>100%</u> | <u>4 365 533</u> |

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable.

| | 2012 % | 2012 R | 2011 % | 2011 R |
|---|----------------|-------------------|-------------|-------------------|
| The provision for bad debts could be allocated between the different classes of debtors as follows: | | | | |
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 100% | 10 261 870 | 100% | 11 291 995 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 24.40% | 7 468 317 | 25% | 10 029 388 |
| Water | 16.23% | 4 965 749 | 12% | 4 682 881 |
| Refuse | 51.12% | 15 644 067 | 54% | 21 670 080 |
| Sewerage | 1.96% | 599 974 | 1% | 470 241 |
| Other | 6.29% | 1 926 491 | 8% | 3 185 607 |
| | <u>100.00%</u> | <u>30 604 598</u> | <u>100%</u> | <u>40 038 197</u> |

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

| | 2012 R | 2011 R |
|---|--------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: | | |
| Receivables from Exchange Transactions | 51 191 603 | 57 429 582 |
| Receivables from Non-Exchange Transactions | 14 886 872 | 12 577 701 |
| Cash and Cash Equivalents | 41 020 026 | 27 896 566 |
| Unpaid conditional grants and subsidies | 36 | 231 709 |
| | <u>107 098 537</u> | <u>98 135 558</u> |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R | | |
|---|-----------------------------|----------------------------------|---------------------|-------------------|
| (e) Liquidity Risk | | | | |
| Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines. | | | | |
| 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 | | | | |
| The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. | | | | |
| | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| 2012 | | | | |
| Long Term liabilities - Annuity Loans | 90 022 | 180 044 | - | 270 066 |
| Capital repayments | 56 948 | 146 783 | - | 203 731 |
| Interest | 33 074 | 33 261 | - | 66 335 |
| Provision for Landfill Sites | - | - | 5 903 869 | 5 903 869 |
| Capital repayments | - | - | 5 609 121 | 5 609 121 |
| Interest | - | - | 294 748 | 294 748 |
| Payables from Exchange Transactions | 18 446 249 | - | - | 18 446 249 |
| Unspent conditional government grants and receipts | 10 880 423 | - | - | 10 880 423 |
| | <u>29 416 694</u> | <u>180 044</u> | <u>5 903 869</u> | <u>35 500 607</u> |
| 2011 | | | | |
| Long Term liabilities - Annuity Loans | 90 023 | 270 065 | - | 360 088 |
| Capital repayments | 48 126 | 203 731 | - | 251 857 |
| Interest | 41 897 | 66 334 | - | 108 231 |
| Long Term liabilities - Finance Lease Liability | 82 080 | - | - | 82 080 |
| Capital repayments | 78 483 | - | - | 78 483 |
| Interest | 3 597 | - | - | 3 597 |
| Provision for Landfill Sites | - | - | 5 894 956 | 5 894 956 |
| Capital repayments | - | - | 5 609 121 | 5 609 121 |
| Interest | - | - | 285 835 | 285 835 |
| Payables from Exchange Transactions | 12 296 727 | - | - | 12 296 727 |
| Unspent conditional government grants and receipts | 15 512 824 | - | - | 15 512 824 |
| | <u>27 981 654</u> | <u>270 065</u> | <u>5 894 956</u> | <u>34 146 675</u> |
| | 2012 R | 2011 R | | |
| 46 FINANCIAL INSTRUMENTS | | | | |
| In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows: | | | | |
| 46.1 Financial Assets | | | | |
| Financial Instruments at Amortised Cost | | | | |
| Receivables from Exchange Transactions | 18 487 058 | 17 391 385 | | |
| Receivables from Non-exchange Transactions | 4 625 002 | 1 285 706 | | |
| Unpaid Conditional Government Grants and Receipts | 36 | 231 709 | | |
| Cash and Cash Equivalents | 41 020 026 | 27 896 566 | | |
| Total carrying amount of financial assets | 64 132 121 | 46 805 366 | | |
| 46.2 Financial Liability | | | | |
| Financial Instruments at Amortised Cost | | | | |
| Long-term Liabilities | 146 783 | 203 732 | | |
| Payables from Exchange Transactions | 18 446 249 | 12 296 727 | | |
| Unspent Conditional Grants and Receipts | 10 880 459 | 15 512 824 | | |
| Current Portion of Long-term Liabilities | 56 948 | 126 608 | | |
| Total carrying amount of financial liabilities | 29 530 439 | 28 139 891 | | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | |
|--|-------------|-------------|
| | 2012 | 2011 |
| | R | R |

47 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date during the financial year ended 2011/2012.

48 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

Council do have the following contingent liabilities at the end of the financial year 2011/2012:

A claim has been lodged by Mr. S Songca for the amount of R50 000 plus 15.5% interest costs for monies payable in respect of farm damages resulting from veld fires. The claim is still pending before court.

There has been a claim lodged by Wesbank against the Municipality in relation to the cancelation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the Municipality by Wesbank. This debt has prescribed in July 2011 and as such Council is dealing with the matter to have the debt set aside. This matter is currently pending before the High Court in Grahamstown

The Municipality obtained an eviction order againsts various invaders in Mount Fletcher. The matter is currently pending before the High Court in Mthatha. The estimated legal costs and eviction related costs are estimated at R400 000.

The Municipality is currently assisting Councillors to recover their pension contribution for the last term in office. This matter is still to be referred to attorneys in order to persue. The estimated cost to persue this case is R200 000.

Amadwala Trading 363 CC has applied for a administrative review in relation to the tender awarded for the Dengwane Acces Road project. No court date has been set as to date. The anticipated legal costs are R150 000.

The Waste Group (Pty) Ltd has applied for a administrative review in relation to the tender awarded for the operation and maintenance of waste disposal sites. The anticipated legal costs are R300 000.

51 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

51.1 Related Party Transactions

| | Rates | Service | Other | Outstanding |
|---|------------------------------------|--|----------------------------------|--|
| Year ended 30 JUNE 2012 | 1 July 11 to 30 June 12 | Charges 1 July 11 to 30 June 12 | 1 Jul 11 to 30 Jun 12 | Balances as at 30 June 2012 |
| Councillors | | | | |
| N R Yelani-Lengs | - | 4 644 | - | 458 |
| M A Mqamelo | - | 2 452 | - | 204 |
| L S Baduza | - | 4 277 | 21 024 | 5 794 |
| M Bomela | 3 471 | 3 032 | - | (549) |
| T J Pikinini | 171 | 919 | - | 98 |
| | 3 642 | 15 324 | 21 024 | 6 005 |
| Municipal Manager and Section 57 Employees | | | | |
| K Gashi | - | 950 | 17 964 | 1 253 |
| S R Matubatuba | - | 1 900 | 28 308 | 2 517 |
| | - | 2 850 | 46 272 | 3 770 |

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--|----------------|----------------|
| 51.2 Related Party Loans | | |
| Since 1 July 2004 loans to Councillors and Senior management employees are not permitted. | | |
| 51.3 Compensation of key management personnel | | |
| The compensation of key management personnel is set out in note 24 to the Annual Financial Statements. | | |
| 51.4 Other related party transactions | | |
| The following purchases were made during the year where Key Management Personnel and Officials have an interest: | | |
| Ganta Trading Enterprise (Spouse of Director A M Ntaba) | 53 215 | 129 305 |
| Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba) | 236 698 | - |
| Nosisanda Trading Enterprise (Niece of official Z Thuli) | 1 530 | - |
| Nobongoza Trading Enterprise (Spouse of official T Klaas) | 9 680 | - |
| | 301 123 | 129 305 |
| | 301 123 | 129 305 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

**APPENDIX A - Unaudited
ELUNDINI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2011 | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2012 |
|--------------------------------|-------------|--------------------|-------------------|--------------------------------|-----------------------------------|---|--------------------------------|
| ANNUITY LOANS | | | | | | | |
| DBSA loan | 17.36% | 9004857 | 30/06/2015 | 251 857 | - | 48 126 | 203 731 |
| Total Annuity Loans | | | | 251 857 | - | 48 126 | 203 731 |
| LEASE LIABILITY | | | | | | | |
| Copier MP 7500 | 10.00% | L7963000247 | 30/01/2012 | 15 074 | - | 15 074 | - |
| Copier MP 9000 | 10.00% | L5580100042 | 30/06/2012 | 63 409 | - | 63 409 | - |
| Total Lease Liabilities | | | | 78 483 | - | 78 483 | - |
| TOTAL EXTERNAL LOANS | | | | 330 340 | - | 126 609 | 203 731 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| Grant Description | Balance 1 JULY 2011 R | Correction of error R | Restated balance 1 JULY 2011 R | Contributions during the year R | Operating Expenditure during the year Transferred to Revenue R | Capital Expenditure during the year Transferred to Revenue R | Balance 30 JUNE 2012 R | Unspent 30 JUNE 2012 (Creditor) R | Unpaid 30 JUNE 2012 (Debtor) R |
|---|-----------------------------|-----------------------------|---|---------------------------------------|---|---|------------------------------|--|---|
| UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | |
| <u>National Government Grants</u> | | | | | | | | | |
| 7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT | 41 367 | 179 363 | 220 730 | 22 466 000 | 700 648 | 21 986 082 | - | - | - |
| 7140/5402 - NER | - | (231 674) | (231 674) | 1 000 000 | - | 86 987 | 681 339 | 681 339 | - |
| 7140/5404 - FINANCIAL MANAGEMENT GRANT | - | - | - | 1 500 000 | 1 500 000 | - | - | - | - |
| 7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT | - | - | - | 790 000 | 790 000 | - | - | - | - |
| Total National Government Grants | 41 367 | (52 311) | (10 944) | 25 756 000 | 2 990 648 | 22 073 069 | 681 339 | 681 339 | - |
| <u>Provincial Government Grants</u> | | | | | | | | | |
| 7140/5405 - EPWP | 276 449 | - | 276 449 | 433 000 | 709 449 | - | - | - | - |
| 7140/5411 - HAWKERS STALLS | 1 844 924 | - | 1 844 924 | - | 91 000 | - | 1 753 924 | 1 753 924 | - |
| 7140/5426 - ELUNDINI HOUSING | 71 732 | - | 71 732 | - | - | - | 71 732 | 71 732 | - |
| 7140/5430 - HOUSING PILOT | 112 508 | - | 112 508 | - | - | - | 112 508 | 112 508 | - |
| 7140/5432 - LIBRARY FUND | 107 828 | - | 107 828 | - | - | - | 107 828 | 107 828 | - |
| 7140/5443 - TOURISM | 542 756 | - | 542 756 | 20 000 | - | - | 562 756 | 562 756 | - |
| 7140/5446 - LED OPEN | 38 726 | - | 38 726 | 116 677 | - | - | 155 403 | 155 403 | - |
| 7140/5447 - MACLEAR GREENFIELD | 651 784 | - | 651 784 | - | - | - | 651 784 | 651 784 | - |
| 7140/5455 - MADIBA CORRIDOR | 700 000 | - | 700 000 | - | - | - | 700 000 | 700 000 | - |
| 7140/5457 - DEDEA BOTTLING WATER | 1 250 | - | 1 250 | - | - | - | 1 250 | 1 250 | - |
| 7140/5470 - FURNITURE MANUFACTURING | 1 056 856 | - | 1 056 856 | - | - | - | 1 056 856 | 1 056 856 | - |
| Total Provincial Grants | 5 404 813 | - | 5 404 813 | 569 677 | 800 449 | - | 5 174 041 | 5 174 041 | - |
| <u>District Municipality Grants</u> | | | | | | | | | |
| 7140/5461 - WARD FUNCTIONS | 42 196 | - | 42 196 | - | - | - | 42 196 | 42 196 | - |
| 7140/5463 - COMMUNITY PARTICIPATION | 76 500 | - | 76 500 | - | - | - | 76 500 | 76 500 | - |
| Total District Municipality Grants | 118 696 | - | 118 696 | - | - | - | 118 696 | 118 696 | - |
| <u>Other Grant Providers</u> | | | | | | | | | |
| 7140/5403 - MSP | 1 637 912 | - | 1 637 912 | - | - | - | 1 637 912 | 1 637 912 | - |
| 7140/5416 - VOTER STATION | 299 896 | - | 299 896 | - | - | - | 299 896 | 299 896 | - |
| 7140/5422 - TOWN REGISTER | (36) | - | (36) | - | - | - | (36) | - | (36) |
| 7140/5429 - KATLEHONG HOUSING | 2 791 | - | 2 791 | - | - | - | 2 791 | 2 791 | - |
| 7140/5449 - LEAVE RESERVE | 12 118 | - | 12 118 | - | - | - | 12 118 | 12 118 | - |
| 7140/5476 - ECDC | 7 815 867 | - | 7 815 867 | 8 090 452 | - | 12 999 594 | 2 906 725 | 2 906 725 | - |
| 7140/5465 - SOCIAL DEVELOPMENT PROGRAMME | - | - | - | 46 941 | - | - | 46 941 | 46 941 | - |
| 0602/1217 - DBSA | - | - | - | 360 329 | 360 329 | - | - | - | - |
| Total Other Grant Providers | 9 768 548 | - | 9 768 548 | 8 497 722 | 360 329 | 12 999 594 | 4 906 347 | 4 906 383 | (36) |
| TOTAL | 15 333 424 | (52 311) | 15 281 113 | 34 823 399 | 4 151 426 | 35 072 663 | 10 880 423 | 10 880 459 | (36) |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

4.3. BUDGET TO ACTUAL COMPARISON

Revenue by Source

In accordance with the table presented, it would be evident that the organisation's overall revenue generated is positioned at R 146.6 Million, compared to the estimate of R 169.5 million, representing a shortfall of R 22.9 Million or 13.52% under planned performance.

The shortfall within the planned performance is primarily attributed to two major sources, viz Plant Income and Other income.

In terms of the approved budget adopted by Council, plant income is accrued based on total certified works that have been effectively billed under the auspices of the Municipal Infrastructure Grant, with a concomitant recognition of costs incurred to render the service; given the recognition criteria adopted under the standards of GRAP, both the income recognised and expenditure incurred under the program are written down at year end as inter departmental charges; the effect therefore of these transactions result in zero financial loss to the organisation.

Performance associated with other income are non-cash flow related transactions centering around projects financed through retained earnings, in accordance with the Municipal Finance Management Act and budgetary regulations issued there under, the Municipality is prohibited from Budgeting for a deficit, accordingly all internal projects financed through retained earnings are disclosed under other income to ensure a balanced and sustainable budget.

Expenditure by Nature

In accordance with the table presented, it would be evident that the organisation's overall expenditure is positioned at R 145.2 million, compared to the estimate of R 128.6 million, representing over spending in the sum of R 16.5 million or 12.86% over planned performance.

The net overspending of the approved budget is primarily attributed to under budgeting of depreciation related costs pursuant of the adoption of directive 4 on Property Plant and Equipment, coupled with under performance on operating grant expenditure and general expenses.

Analysis of the trading results will reveal that whilst the organisation budgeted R 4.09 Million for depreciation related costs, the unbundling of assets to ensure full compliance with the provision of GRAP 17 was completed towards the end of June 2012, which recorded depreciation related costs to be R 34.06 Million, significantly above expectation(rural access roads); given the timing of the program towards full compliance the organisation could not facilitate a revision of the budget to regularise said costs; it is anticipated that Council will condone the costs pursuant of section 32 of the Municipal Finance Management Act.

In terms of the approved budget adopted by Council, plant expenditure(General Expenses) is accrued based on total certified works that have been effectively billed under the auspices of the Municipal Infrastructure Grant, with a concomitant recognition of plan income generated to render the service; given the recognition criteria adopted under the standards of GRAP, both the income recognised and expenditure incurred under the program are written down at year end as inter departmental charges; the effect therefore of these transactions result in zero financial loss to the organisation.

Capital Expenditure

In accordance with the table presented, it would be evident that the Organisation under spent the capital budget in the sum of R 11.61 million or 23.3%, the primary reasons associated with the underperformance on the votes centre around delays within the implementation phase(sourcing of complaint bidders) for the following projects- electrification of 195 houses within Greenfields; Prentjiesberg Roads and Storm water Project ; Procurement of a rear end loader i.t.o strategy for solid waste functioning; application for rollover of funding pursuant of the MFMA and DORA has been submitted.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

4.3.1. COMPARISON OF ACTUAL REVENUE & EXPENDITURE AGAINST THE BUDGET

41 BUDGET COMPARISONS

| | 2012 Actual (R) | 2012 Budget (R) | 2012 Variance (R) | 2012 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|--|----------------------|----------------------|----------------------|----------------------|--|
| Revenue by Source | | | | | |
| Property Rates | 11 980 138 | 13 841 822 | (1 861 684) | -13.45% | Application of GRAP 23 resulted in understatement as oppose to Treasury budget requirements. |
| Government Grants and Subsidies | 105 296 884 | 100 312 621 | 4 984 263 | 4.97% | Accelerated service on ECDC funded programmes. |
| Public Contributions and Donations | 62 755 | - | 62 755 | 0.00% | Donations not anticipated. |
| Fines | 101 754 | 72 862 | 28 892 | 39.65% | Cooperative agreement with Department of Transport augmenting our service delivery function. |
| Service Charges | 18 663 485 | 16 003 964 | 2 659 521 | 16.62% | Revenue enhancement and debt reduction programme. |
| Plant Income | (1 701) | 15 033 647 | (15 035 348) | -100.01% | Inter-departmental charges. |
| Rental of Facilities and Equipment | 670 661 | 833 000 | (162 339) | -19.49% | High level of evictions due to non-payment. |
| Interest Earned - external investments | 2 077 383 | 2 655 000 | (577 617) | -21.76% | Accelerated service delivery resulted limited available surplus funding for investment purposes. |
| Interest Earned - outstanding debtors | 4 721 186 | 3 301 598 | 1 419 588 | 43.00% | Bad debts only written down at year end. |
| Licences and Permits | 1 703 237 | 1 790 040 | (86 803) | -4.85% | In line with expectation. |
| Other Income | 1 359 623 | 15 707 310 | (14 347 687) | -91.34% | Deficit funding of capex programmes funded from retained earnings. |
| | 146 635 405 | 169 551 864 | (22 916 459) | -13.52% | |
| Expenditure by Nature | | | | | |
| Employee Related Costs | (39 925 776) | (40 306 105) | 380 329 | -0.94% | In line with expectation. |
| Remuneration of Councillors | (7 738 431) | (7 782 949) | 44 518 | -0.57% | In line with expectation. |
| Debt Impairment | (10 899 557) | (9 924 190) | (975 367) | 9.83% | In line with expectation. |
| Depreciation and Amortisation | (34 064 701) | (4 090 000) | (29 974 701) | 732.88% | Application of items previously exempt in term of Directive 4. |
| Impairments | (3 498) | - | (3 498) | 0.00% | Application of items previously exempt in term of Directive 4. |
| Actuarial Loss | (305 419) | (200) | (305 219) | 152609.50% | Discount rate used by actuaries less than last year. |
| Collection Cost | (780 709) | (1 503 559) | 722 850 | -48.08% | In line with expectation. |
| Repairs and Maintenance | (4 234 889) | (5 470 907) | 1 236 018 | -22.59% | Non-implementation of service level agreement with Department of Public Works. |
| Finance Charges | (1 341 222) | (106 843) | (1 234 379) | 1155.32% | Discount rate used by actuaries less than last year and discounting of landfill site provision. |
| Bulk Purchases | (13 608 906) | (14 130 000) | 521 094 | -3.69% | In line with expectation. |
| Grants and Subsidies | (350 000) | (350 000) | - | 0.00% | In line with expectation. |
| Operating Grant Expenditure | (2 469 072) | (5 360 632) | 2 891 560 | -53.94% | Underspending on ECDC and NER programmes. |
| Gain or loss on disposal of PPE | (178 174) | - | (178 174) | 0.00% | Assets written off, but covered by insurance. |
| Gain or loss on disposal of Inventory | (54 926) | - | (54 926) | 0.00% | Sell of land held for sale. |
| General Expenses | (29 282 970) | (39 665 993) | 10 383 023 | -26.18% | Implementation of cost reduction strategy. |
| | (145 238 250) | (128 691 378) | (16 546 872) | 12.86% | |
| Net surplus from Continued Operations | 1 397 155 | 40 860 486 | (39 463 331) | -96.58% | |
| Discontinued Operations | 4 590 187 | 4 917 912 | (327 725) | -6.66% | Water and sanitation function to be transferred to District Municipality. |
| Net surplus for the year | 5 987 342 | 45 778 398 | (39 791 055) | -86.92% | |
| Operating Expenditure by vote | | | | | |
| Budget & Treasury | 33 786 360 | 25 335 102 | 8 451 258 | 33.36% | Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE and IP |
| Community & Social Services | 4 788 569 | 5 067 487 | (278 918) | -5.50% | In line with expectation. |
| Electricity | 18 877 216 | 23 559 512 | (4 682 296) | -19.87% | Underspending on ECDC and NER programmes. |
| Executive & Council | 20 458 183 | 20 697 325 | (239 142) | -1.16% | In line with expectation. |
| Corporate Services | 14 480 177 | 18 870 173 | (4 389 996) | -23.26% | Non-implementation of ICT Master Systems Plan. |
| Housing | 324 471 | 415 309 | (90 838) | -21.87% | Immaterial variance. |
| Planning & Development | 9 604 425 | 17 956 677 | (8 352 252) | -46.51% | Non-implementation of the Furniture Manufacturing and Hawkers stall projects. |
| Road Transport | 40 145 132 | 15 084 704 | 25 060 428 | 166.13% | Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE. |
| Sport & Recreation | 3 517 979 | 1 705 089 | 1 812 890 | 106.32% | Backpay according IMATU judgement. |
| Waste Management | 2 130 219 | 2 503 393 | (373 174) | -14.91% | Delayed implementation of landfill sites (PPP) outsourcing. |
| Water | 6 076 140 | 6 766 448 | (690 308) | -10.20% | Backpay according IMATU judgement. |
| | 154 188 872 | 137 961 219 | 16 227 652 | 11.76% | |
| Capital Expenditure by Vote | | | | | |
| Budget & Treasury | 1 417 320 | 1 904 600 | (487 280) | -25.58% | Delays in sourcing service provider to effect building additions to administrative building. |
| Community & Social Services | 173 744 | 243 080 | (69 336) | -28.52% | Project savings. |
| Electricity | 4 861 777 | 8 099 510 | (3 237 733) | -39.97% | Underspending on ECDC and NER programmes. |
| Executive & Council | 691 852 | 715 935 | (24 083) | -3.36% | In line with expectation. |
| Corporate Services | 131 041 | 411 145 | (280 104) | -68.13% | Delays in staff appointments and therefor furniture not procured. |
| Planning & Development | 419 592 | 2 128 853 | (1 709 261) | -80.29% | Delayed procurement of rear-end loader due to delays in appointment of PPP. |
| Road Transport | 30 430 964 | 35 611 275 | (5 180 311) | -14.55% | Underspending on ECDC programmes. |
| Sport & Recreation | 108 267 | 735 000 | (626 733) | -85.27% | Delays in appointment of consultants in sportfields development. |
| | 38 234 558 | 49 849 398 | (11 614 840) | -23.30% | |

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4.4. GRANTS AND TRANSFER SPENDING AND MEETING DONORS' REQUIREMENTS

In accordance with the table depicted below, it would be evident that in terms of all grants and subsidies received for the period under review, that the Municipality has been able to effectively administer and expend R 39.22 million, whilst total allocations received amount to R 34.8 million, the Municipality has managed to effectively expend on prior periods unspent conditional grant; furthermore the Municipality has complied with all donor and grant conditions imposed for the period under review pursuant of section 123 of the Municipal Finance Management Act, Act 56 of 2003.

| Grant Description | Balance 1 JULY 2011 R | Correction of error R | Restated balance 1 JULY 2011 R | Contributions during the year R | Operating Expenditure during the year Transferred to Revenue R | Capital Expenditure during the year Transferred to Revenue R | Balance 30 JUNE 2012 R | Unspent 30 JUNE 2012 (Creditor) R | Unpaid 30 JUNE 2012 (Debtor) R |
|---|-----------------------------|-----------------------------|---|---------------------------------------|---|---|------------------------------|--|---|
| UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | |
| National Government Grants | | | | | | | | | |
| 7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT | 41 367 | 179 363 | 220 730 | 22 466 000 | 700 648 | 21 986 082 | - | - | - |
| 7140/5402 - NER | - | (231 674) | (231 674) | 1 000 000 | - | 86 987 | 681 339 | 681 339 | - |
| 7140/5404 - FINANCIAL MANAGEMENT GRANT | - | - | - | 1 500 000 | 1 500 000 | - | - | - | - |
| 7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT | - | - | - | 790 000 | 790 000 | - | - | - | - |
| Total National Government Grants | 41 367 | (52 311) | (10 944) | 25 756 000 | 2 990 648 | 22 073 069 | 681 339 | 681 339 | - |
| Provincial Government Grants | | | | | | | | | |
| 7140/5405 - EPWP | 276 449 | - | 276 449 | 433 000 | 709 449 | - | - | - | - |
| 7140/5411 - HAWKERS STALLS | 1 844 924 | - | 1 844 924 | - | 91 000 | - | 1 753 924 | 1 753 924 | - |
| 7140/5426 - ELUNDINI HOUSING | 71 732 | - | 71 732 | - | - | - | 71 732 | 71 732 | - |
| 7140/5430 - HOUSING PILOT | 112 508 | - | 112 508 | - | - | - | 112 508 | 112 508 | - |
| 7140/5432 - LIBRARY FUND | 107 828 | - | 107 828 | - | - | - | 107 828 | 107 828 | - |
| 7140/5443 - TOURISM | 542 756 | - | 542 756 | 20 000 | - | - | 562 756 | 562 756 | - |
| 7140/5446 - LED OPEN | 38 726 | - | 38 726 | 116 677 | - | - | 155 403 | 155 403 | - |
| 7140/5447 - MACLEAR GREENFIELD | 651 784 | - | 651 784 | - | - | - | 651 784 | 651 784 | - |
| 7140/5455 - MADIBA CORRIDOR | 700 000 | - | 700 000 | - | - | - | 700 000 | 700 000 | - |
| 7140/5457 - DEDEA BOTTLING WATER | 1 250 | - | 1 250 | - | - | - | 1 250 | 1 250 | - |
| 7140/5470 - FURNITURE MANUFACTURING | 1 056 856 | - | 1 056 856 | - | - | - | 1 056 856 | 1 056 856 | - |
| Total Provincial Grants | 5 404 813 | - | 5 404 813 | 569 677 | 800 449 | - | 5 174 041 | 5 174 041 | - |
| District Municipality Grants | | | | | | | | | |
| 7140/5461 - WARD FUNCTIONS | 42 196 | - | 42 196 | - | - | - | 42 196 | 42 196 | - |
| 7140/5463 - COMMUNITY PARTICIPATION | 76 500 | - | 76 500 | - | - | - | 76 500 | 76 500 | - |
| Total District Municipality Grants | 118 696 | - | 118 696 | - | - | - | 118 696 | 118 696 | - |
| Other Grant Providers | | | | | | | | | |
| 7140/5403 - MSP | 1 637 912 | - | 1 637 912 | - | - | - | 1 637 912 | 1 637 912 | - |
| 7140/5416 - VOTER STATION | 299 896 | - | 299 896 | - | - | - | 299 896 | 299 896 | - |
| 7140/5422 - TOWN REGISTER | (36) | - | (36) | - | - | - | (36) | - | (36) |
| 7140/5429 - KATLEHONG HOUSING | 2 791 | - | 2 791 | - | - | - | 2 791 | 2 791 | - |
| 7140/5449 - LEAVE RESERVE | 12 118 | - | 12 118 | - | - | - | 12 118 | 12 118 | - |
| 7140/5476 - ECDC | 7 815 867 | - | 7 815 867 | 8 090 452 | - | 12 999 594 | 2 906 725 | 2 906 725 | - |
| 7140/5465 - SOCIAL DEVELOPMENT PROGRAMME | - | - | - | 46 941 | - | - | 46 941 | 46 941 | - |
| 0602/1217 - DBSA | - | - | - | 360 329 | 360 329 | - | - | - | - |
| Total Other Grant Providers | 9 768 548 | - | 9 768 548 | 8 497 722 | 360 329 | 12 999 594 | 4 906 347 | 4 906 383 | (36) |
| TOTAL | 15 333 424 | (52 311) | 15 281 113 | 34 823 399 | 4 151 426 | 35 072 663 | 10 880 423 | 10 880 459 | (36) |

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4.4.1. MEETING OF DONOR'S REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

Compliance with donor's requirements in respect of conditional grants are reflected below:

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share
Other Grants

66 072 795

50 681 227

64 855 000
1 217 795

50 021 227
660 000

Conditional Grants

Municipal Infrastructure Grant (MIG)
 As previously reported
 Correction of error restatement - note 36.01

Municipal Systems Improvement Grant (MSIG)
Financial Management Grant (FMG)
National Electrification Programme Grant (NER)
ECDC
Other Grants

39 224 089

47 756 974

22 686 730

790 000
1 500 000
86 987
12 999 594
1 160 778

17 585 644

17 899 522
(313 878)

737 817
1 250 000
7 215 968
16 637 899
4 329 645

Total Government Grants and Subsidies

105 296 884

98 438 201

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

35 072 663
70 224 221

41 439 511
56 998 690

105 296 884

98 438 201

The Municipality does not expect any significant changes to the level of grants.

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Revenue recognised per vote as required by Section 123 (c) of the MFMA:

| | | |
|-----------------------------|--------------------|-------------------|
| Equitable share | 64 855 000 | 50 021 227 |
| Budget & Treasury | 2 290 000 | 7 311 410 |
| Community & Social Services | 1 217 795 | 660 000 |
| Electricity | 13 086 582 | 20 936 343 |
| Executive & Council | - | 514 743 |
| Housing | - | 154 027 |
| Planning & Development | 1 160 778 | 2 788 752 |
| Road Transport | 22 686 728 | 16 051 699 |
| | 105 296 884 | 98 438 201 |
| | 105 296 884 | 98 438 201 |

| | 2012 | 2011 |
|----------------------------|--------------|--------------|
| | R | R |
| Equitable Share | | |
| Opening balance | - | - |
| Grants received | 64 855 000 | 50 021 227 |
| Conditions met - operating | (64 855 000) | (50 021 227) |
| | - | - |
| Conditions still to be met | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

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Municipal Infrastructure Grant (MIG)

| | | |
|---|--------------|--------------|
| Opening balance | 220 730 | 4 126 374 |
| Grants received | 22 466 000 | 13 680 000 |
| Conditions met - capital | (21 986 082) | (17 585 644) |
| Conditions met - operating | (700 648) | - |
| | - | 220 730 |
| Conditions still to be met / (unpaid grants for conditions already met) | - | 220 730 |

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

Municipal Systems Improvement Grant (MSIG)

| | | |
|---|-----------|-----------|
| Opening balance | - | (12 183) |
| Grants received | 790 000 | 750 000 |
| Conditions met - capital | - | - |
| Conditions met - operating | (790 000) | (737 817) |
| | - | - |
| Conditions still to be met / (unpaid grants for conditions already met) | - | - |

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.

Financial Management Grant (FMG)

| | | |
|----------------------------|-------------|-------------|
| Opening balance | - | - |
| Grants received | 1 500 000 | 1 250 000 |
| Conditions met - capital | - | - |
| Conditions met - operating | (1 500 000) | (1 250 000) |
| | - | - |
| Conditions still to be met | - | - |

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FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

National Electrification Programme Grant (NER)

| | | |
|----------------------------|----------------|------------------|
| Opening balance | (231 674) | 6 984 294 |
| Grants received | 1 000 000 | - |
| Conditions met - capital | (86 987) | (7 215 968) |
| Conditions met - operating | - | - |
| Conditions still to be met | 681 339 | (231 674) |

The National Electrification Grant is used for electrical connections in previously disadvantaged areas.

ECDC

| | | |
|---|------------------|------------------|
| Opening balance | 7 815 866 | (301 374) |
| Grants received | 8 090 452 | 24 755 140 |
| Conditions met - capital | (12 999 594) | (16 637 899) |
| Conditions met - operating | - | - |
| Conditions still to be met / (unpaid grants for conditions already met) | 2 906 724 | 7 815 866 |

The ECDC Grant is used for the Ugie / PG Bison development.

Other Grants

| | | |
|----------------------------|-------------|-------------|
| Opening balance | 7 476 192 | 9 881 234 |
| Grants received | 976 947 | 1 924 604 |
| Conditions met - capital | - | - |
| Conditions met - operating | (1 160 778) | (4 329 645) |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | |
|----------------------------|------------------|------------------|
| Conditions still to be met | 7 292 361 | 7 476 192 |
|----------------------------|------------------|------------------|

Various grants were received from other spheres of government.

| | 2012 R | 2011 R |
|--|-------------------|-------------------|
| Total Grants | | |
| Opening balance | 15 281 114 | 20 678 344 |
| Grants received | 100 896 194 | 93 040 970 |
| Conditions met - Capital | (35 072 663) | (41 439 511) |
| Conditions met - Operating | (70 224 221) | (56 998 689) |
| Conditions still to be met/(Grant expenditure to be recovered) | 10 880 424 | 15 281 114 |

Disclosed as follows:

| | | |
|--|-------------------|-------------------|
| Unspent Conditional Government Grants and Receipts | 10 880 460 | 15 512 824 |
| Unpaid Conditional Government Grants and Receipts | (36) | (231 710) |
| | 10 880 424 | 15 281 114 |

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4.5. ARREARS IN PROPERTY RATES AND SERVICE CHARGES

The arrears in property rates and services charges for the period under review are reflected in the table below.

Importantly as per the analysis denoted the gross carrying value of debtors- services and rates equates to R 63 978 528, whilst the provision for impairment amounts to R 40 866 468, constituting a 63.9% non-recoverability estimate.

Council launched a revenue enhancement and debt reduction Strategy in the latter part of the 2009/2010 financial year aimed at significantly reducing outstanding debts, whilst significantly improving available cash flow, which as at 30 June 2012, resulted in excess of R 38.48 Million having been collected from debtors.

This program, in conjunction with a sustained approach to recover Government related debts has effectively resulted in an increased collection rate from 82.07% (June 2011) to 95.52 % as at 30 June 2012.

Included in receiveables from exchange transactions are debtors totalling R11.26 Million , comprising of unpaid water operating subsidies from the Joe Gqabi District Municipality in the sum of R 7.5 Million, as well as outstanding amounts receivable from ECDC(funding Agent) in the sum fo R 3.75 Million for capital projects implemented.

Importantly, the Municipality has approved a revision to the Revenue Enhancement and Debt Reduction strategy for 2012/2013, which will culminate in the registration of an additional targeted two thousand households under the Free Basic Services Programme.

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RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---------------------------------------|------------|-------------|
| Electricity | 9 903 562 | 11 848 049 |
| As previously reported | | 11 952 929 |
| Prior period adjustments - note 36.02 | | (104 880) |
| Water | 6 438 484 | 5 808 038 |
| As previously reported | | 12 302 777 |
| Prior period adjustments - note 36.02 | | (32 191) |
| Prior period adjustments - note 36.02 | | (6 462 548) |
| Refuse | 19 409 606 | 23 846 368 |
| As previously reported | | 23 898 894 |
| Prior period adjustments - note 36.02 | | (52 526) |
| Sewerage | 764 729 | 600 171 |
| As previously reported | | 2 844 958 |
| Prior period adjustments - note 36.02 | | (16 182) |
| Prior period adjustments - note 36.02 | | (2 228 605) |

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| | | |
|--|--------------|--------------|
| Other | 14 675 222 | 15 326 956 |
| As previously reported | | 15 920 746 |
| Prior period adjustments - note 36.02 | | (38 091) |
| Reclassified to Receivables from Non-Exchange Transactions - note 15 | | (555 700) |
| | | |
| Total Receivables from Exchange Transactions | 51 191 603 | 57 429 582 |
| Less: Allowance for Doubtful Debts | (30 604 598) | (40 038 197) |
| As previously reported | | (48 729 350) |
| Prior period adjustments - note 36.02 | | 8 691 153 |
| | | |
| Total Net Receivables from Exchange Transactions | 20 587 005 | 17 391 385 |
| Less: Assets associated with Discontinued Operations - note 35 | (2 099 947) | - |
| | | |
| Total Net Receivables from Exchange Transactions - Continued Operations | 18 487 058 | 17 391 385 |
| <p>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.</p> | | |
| <p>Reconciliation of Allowance for doubtful debts</p> | | |
| Balance at beginning of year | 40 038 197 | 34 051 586 |
| Contribution to provision | 10 969 973 | 9 579 995 |
| Debt Impairment written off against | (20 403 572) | (3 593 384) |

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provision

Balance at end of year

Electricity

Water

Refuse

Refuse

Other

Sewerage

Other

30 604 598

40 038 197

7 468 317

10 029 388

4 965 749

4 682 881

15 644 067

21 670 080

599 974

470 241

1 926 491

3 185 607

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

| Service Receivables | Gross Balance R | Allowance for Doubtful Debts R | Net balance R |
|---------------------|-----------------------|---|-------------------|
| <i>2012</i> | | | |
| Electricity | 9 903 562 | (7 468 317) | 2 435 245 |
| Water | 6 438 484 | (4 965 749) | 1 472 735 |
| Refuse | 19 409 606 | (15 644 067) | 3 765 539 |
| Sewerage | 764 729 | (599 974) | 164 755 |
| Other | 14 675 222 | (1 926 491) | 12 748 731 |
| Total | <u>51 191 603</u> | <u>(30 604 598)</u> | <u>20 587 005</u> |

2011

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| | | | |
|--------------|-------------------|---------------------|-------------------|
| Electricity | 11 848 049 | (10 029 388) | 1 818 661 |
| Water | 5 808 038 | (4 682 881) | 1 125 157 |
| Refuse | 23 846 368 | (21 670 080) | 2 176 288 |
| Sewerage | 600 171 | (470 241) | 129 930 |
| Other | 15 326 956 | (3 185 607) | 12 141 349 |
| Total | 57 429 582 | (40 038 197) | 17 391 385 |

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

| | | 2012 R | 2011 R |
|-----------------------|--|------------------|-------------------|
| Current (0 - 30 days) | | 646 196 | 636 239 |
| 31 to 60 days | | 400 373 | 431 015 |
| 61 to 90 days | | 207 916 | 397 035 |
| 91 to 120 days | | 147 129 | 384 819 |
| 121 to 150 days | | 138 144 | 351 716 |
| >150 days | | 8 363 804 | 9 647 224 |
| Total | | 9 903 562 | 11 848 049 |

(Water): Ageing

| | | | |
|-----------------------|--|---------|---------|
| Current (0 - 30 days) | | 300 348 | 452 890 |
| 31 to 60 days | | 147 229 | 331 336 |
| 61 to 90 days | | 862 871 | 366 402 |

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| | | |
|-------------------------------|------------|------------|
| 91 to 120 days | 52 668 | 303 047 |
| 121 to 150 days | 63 712 | 293 400 |
| >150 days | 5 011 656 | 4 060 963 |
| Total | 6 438 484 | 5 808 038 |
| <i>(Refuse):</i> | | |
| <i>Ageing</i> | | |
| Current (0 - 30 days) | 705 699 | 744 592 |
| 31 to 60 days | 601 840 | 695 858 |
| 61 to 90 days | 182 713 | 688 306 |
| 91 to 120 days | 180 018 | 671 495 |
| 121 to 150 days | 176 529 | 665 783 |
| >150 days | 17 562 806 | 20 380 334 |
| Total | 19 409 606 | 23 846 368 |
| <i>(Sewerage): Ageing</i> | | |
| Current (0 - 30 days) | 77 897 | 33 545 |
| 31 to 60 days | 62 260 | 58 926 |
| 61 to 90 days | 35 462 | 21 125 |
| 91 to 120 days | 34 046 | 23 031 |
| 121 to 150 days | 34 759 | 26 296 |
| >150 days | 520 306 | 437 248 |
| Total | 764 729 | 600 171 |
| <i>(Other): Ageing</i> | | |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | |
|--|-------------------|-------------------|
| Current (0 - 30 days) | 2 525 534 | 11 158 586 |
| 31 to 60 days | 862 839 | 251 904 |
| 61 to 90 days | 1 053 066 | 227 551 |
| 91 to 120 days | 638 936 | 44 422 |
| 121 to 150 days | 1 935 958 | 40 269 |
| >150 days | 7 658 889 | 3 604 225 |
| Total | <u>14 675 222</u> | <u>15 326 956</u> |
| | | |
| | 2012 | 2011 |
| | R | R |
| RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | |
| Rates | 14 240 340 | 11 968 023 |
| As previously reported | | 12 111 406 |
| Prior period adjustments - note 36.02 | | (143 383) |
| Other Receivables | 646 532 | 609 678 |
| RD | 32 745 | (609) |
| Cheques Under banking of Cash | 54 587 | 54 587 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | |
|--|--------------|--------------|
| Deposits | 559 200 | 555 700 |
| As previously reported | | - |
| Reclassified from Receivables from Exchange Transactions - note 14 | | 555 700 |
| | | |
| Total Receivables from Non-Exchange Transactions | 14 886 872 | 12 577 701 |
| Less: Allowance for Doubtful Debts | (10 261 870) | (11 291 995) |
| | | |
| Total Net Receivables from Non-Exchange Transactions | 4 625 002 | 1 285 706 |
| <p>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.</p> | | |
| <p>Reconciliation of Allowance for doubtful debts</p> | | |
| Balance at beginning of year | 11 291 995 | 12 846 024 |
| Reversal of provision - note 26 | (880 298) | (1 323 446) |
| Debt Impairment written off against provision | (149 826) | (230 583) |
| Balance at end of year | 10 261 870 | 11 291 995 |
| Rates | 10 261 870 | 11 291 995 |

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | Gross Balance R | Allowance for Doubtful Debts R | Net balance R |
|-----------------------|-----------------------|---|------------------|
| 2012 | | | |
| Rates | 14 240 340 | (10 261 870) | 3 978 470 |
| Other Receivables | 646 532 | - | 646 532 |
| RD Cheques | 32 745 | - | 32 745 |
| Under banking of Cash | 54 587 | - | 54 587 |
| Deposits | 559 200 | - | 559 200 |
| Total | 14 886 872 | (10 261 870) | 4 625 002 |
| 2011 | | | |
| Rates | 11 968 023 | (11 291 995) | 676 028 |
| Other Receivables | 609 678 | - | 609 678 |
| RD Cheques | (609) | - | (609) |
| Under banking of Cash | 54 587 | - | 54 587 |
| Deposits | 555 700 | - | 555 700 |
| Total | 12 577 701 | (11 291 995) | 1 285 706 |

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

| | | |
|-----------------------|---------|---------|
| Current (0 - 30 days) | 155 995 | 99 759 |
| 31 to 60 days | 443 294 | 320 741 |
| 61 to 90 days | 311 545 | 279 187 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | |
|-----------------|------------|------------|
| 91 to 120 days | 307 041 | 273 797 |
| 121 to 150 days | 344 930 | 239 830 |
| >150 days | 12 677 535 | 10 754 709 |
| Total | 14 240 340 | 11 968 023 |

(Other Receivables): Ageing

| | | |
|-----------------------|---------|---------|
| Current (0 - 30 days) | - | - |
| 31 to 60 days | - | - |
| 61 to 90 days | - | - |
| 91 to 120 days | - | - |
| 121 to 150 days | - | - |
| >150 days | 646 532 | 53 978 |
| Total | 646 532 | 609 678 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

4.6. LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

The Municipality entered into no long term contracts for the period under review.

4.7. ANTI CORRUPTION STRATEGY

The municipality's Anti-fraud and Anti-corruption Policy was adopted on 30 January 2009. During the 2011/2012 financial year the municipality improved its focus on measures to combat fraud and corruption, through regular sessions being conducted around fraud awareness and prevention.

- ✓ Fraud Risk Management Policy
- ✓ Fraud Risk Management Strategy and Implementation Plan
- ✓ Whistle Blowing Policy

The municipality has partnered with Deloitte Tips Off Anonymous, who are administering the municipality's fraud hot line. The following tips off contact numbers have been registered:

- ✓ Freecall : 0800 117 844
- ✓ Email : Elundini@tip-offs.com
- ✓ Free fax : 0800 007 788
- ✓ SMS : 32840
- ✓ Website : www.tip-offs.com
- ✓ Freepost : Freepost KZN, Umhlanga Rocks, 4320

No incidences of fraud and corruption were reported to the facility during the year under review. The municipality has also work-shopped all staff members on the Anti-corruption Policy.

4.8. FINANCIAL SUSTAINABILITY AND VIABILITY

4.8.1. PRESSURE FACING MUNICIPALITY'S BUDGET

- ✓ Eradication of Infrastructural Services Backlogs
- ✓ Ageing infrastructural networks (roads) requiring excessive maintenance allocations
- ✓ Escalating costs associated with Bulk Electricity Purchases
- ✓ Increased un-affordability of basket of services resulting in non-payment
- ✓ Financial losses associated with increased levels of distribution losses (Electricity)
- ✓ Limited revenue base
- ✓ Increased cost exposure associated with enhanced service offerings (Solid Waste functioning)
- ✓ Cash backing of provisions (GRAP requirements)

4.8.2. INTERGOVERNMENTAL CHALLENGES

- ✓ Non-payment of rates relating to unsurveyed schools and clinics (rural) by the Department of Public Works
- ✓ Non-payment of Water and Sanitation operating subsidies by the Joe Gqabi DM

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

4.8.3. KEY FOCUS AREAS FOR 2011/2012

- ✓ Integrated political intervention to deal with intergovernmental challenges
- ✓ Implementation of Revenue enhancement and debt reduction Strategy
- ✓ Development and adoption of Budget related policies aimed at enhancing municipalities financial sustainability and viability
- ✓ Implementation of programmes aimed at enhancing the Municipalities cash reserves in with funding requirements- provisions.

CHAPTER 5

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1. PUBLIC PARTICIPATION AND CONSULTATION

The Elundini Municipality places community/public participation at the centre of its operations.

As part of the endeavours to reach as many stakeholders as possible, during the year under review, Mayor's conversations with the following stakeholders were held as follows:

| STAKEHOLDERS | DATE |
|--|------------------|
| Mt Fletcher Taxi Association | 15 August 2011 |
| Forestry Sector | 07 December 2011 |
| Business Sector and Rate Payers Association | 12 December 2011 |
| Traditional Leaders | 13 December 2011 |
| CDWs and Ward committees | 20 February 2012 |
| Farmers Association | 21 February 2012 |
| Council of churches | 20 May 2012 |
| Youth Council | 21 May 2012 |

From 06 February 2012 to 01 March 2012 the Honourable Mayor of Elundini Municipality, Cllr Lengs, and her EXCO embarked on her annual outreach programme to all the seventeen wards clustered in the following wards:

| WARD(S) | VENUES | DATE | TIME |
|------------------------|------------------------------|-------------|-------------|
| 17 | Gqaqhala Mission | 06/02/2012 | 09H30 |
| 9 | Roman Catholic Church | 06/02/2012 | 17H00 |
| 15 | Lower Tokoana J.S.S | 07/02/2012 | 09H30 |
| 13 | Mohoabatsana Community Hall | 07/02/2012 | 09H30 |
| 14 | Bethania S.S.S | 08/02/2012 | 09H30 |
| 4, 7 & 16 | Solomzi J.S.S | 08/02/2012 | 09H30 |
| 1 | Ncembu Clinic | 13/02/2012 | 09H30 |
| 2 | Ntokozweni Community Hall | 13/02/2012 | 17H00 |
| 5 & 6 | Esixhotyeni Tribal Authority | 14/02/2012 | 09H30 |
| 8 | Makhatlanyeng S.P.S | 15/02/2012 | 09H30 |
| 10, 11 & 12 | Dengwane J.S.S | 15/02/2012 | 09H30 |
| 3 | Roman Catholic Church | 01/03/2012 | 16H00 |

This year's outreach programme was both to give service delivery report for the period the Council had been in office and also to take a new from the communities. Although the communities welcomed and commended the services delivered by the Council, they also raised issues that they felt were still outstanding in their wards and requested the Council to speed up the pace in which they are delivering the services. The following are some of the common issues raised by the communities that the Council need to consider when budgeting and prioritising during their term of office:

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

- Upgrading of access roads;
- Upgrading and maintenance of streets;
- Provision of decent sanitation;
- Provision of clean drinking water;
- Electrification of all households;
- Construction of high must lights;
- Provision of houses;
- Fencing of cemeteries;
- Fencing of ploughing fields;
- Construction of multi-purpose halls;
- Upgrading of sports fields;
- Building and renovation of schools;
- Creation of employment opportunities;
- Construction of clinics and access to ambulances;
- Access to police services and visibility of police;
- Construction of dipping tanks and shearing sheds

5.2. WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY

Ward Committees in all the Municipal Wards have been established and are functioning well. As part of the on-going support and capacitation of Ward Committees, they were trained on Municipal Governance and on their roles and responsibilities from the 13 – 15 March 2012.

The table below depicts the dates of sitting of the Ward Committee meetings per each quarter:

| WARDS | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|---------|-------------------------|-------------------------|-------------------------|-------------------------|
| WARD 1 | 19/09/2011 | 09/01/2012 | 06/03/2012 | 25/06/2012 |
| WARD 2 | 20/09/2011 | 23/11/2011 | 05/03/2012 | 29/06/2012 |
| WARD 3 | 21/09/2011 | 22/11/2011 | 28/02/2012 | 19/06/2012 |
| WARD 4 | 04/10/2011 | 22/11/2011 | 27/02/2012 | 25/06/2012 |
| WARD 5 | 20/08/2011 | 23/11/2011 | 05/03/2012 | 25/06/2012 |
| WARD 6 | 21/09/2011 | 23/11/2011 | 05/03/2012 | 25/06/2012 |
| WARD 7 | 04/10/2011 | 10/01/2012 | 24/02/2012 | 13/06/2012 |
| WARD 8 | 23/09/2011 | 25/11/2011 | 23/02/2012 | 12/06/2012 |
| WARD 9 | 23/09/2011 | 25/11/2011 | 22/02/2012 | 12/06/2012 |
| WARD 10 | 26/09/2011 | 11/01/2012 | 22/02/2012 | 14/06/2012 |
| WARD 11 | 24/08/2011 | 11/01/2012 | 27/03/2012 | 16/05/2012 |
| WARD 12 | 28/09/2011 | 12/01/2012 | 27/03/2012 | 15/05/2012 |
| WARD 13 | 28/09/2011 | 12/01/2012 | no meeting | 14/05/2012 |
| WARD 14 | 24/08/2011 | 13/01/2012 | 26/03/2012 | 26/06/2012 |
| WARD 15 | 27/09/2011 | 13/01/2012 | 28/03/2012 | 26/06/2012 |
| WARD 16 | 03/10/2011 | 10/01/2012 | 24/02/2012 | 13/06/2012 |
| WARD 17 | 19/09/2011 | 09/01/2012 | 06/03/2012 | 27/06/2012 |

PS: From the table above, it will be noted that Ward Committee meeting in Ward 13 did not sit largely due to the fact that their programme coincided with the by-elections that were held in the Ward.

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The table below depicts the sitting of Ward Community meetings per quarter during the year under review:

| WARDS | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|---------|-------------------------|-------------------------|-------------------------|---|
| WARD 1 | No | Yes | No | No |
| WARD 2 | Yes | Yes | Yes | Yes |
| WARD 3 | No | Yes | Yes | Yes (no attendance register as proof of attendance) |
| WARD 4 | Yes | No | Yes | No |
| WARD 5 | Yes | Yes | Yes | Yes |
| WARD 6 | Yes | No | Yes | No |
| WARD 7 | No | Yes | Yes | Yes (no attendance register as proof of attendance) |
| WARD 8 | Yes | Yes | Yes | Yes |
| WARD 9 | Yes | No | No | No |
| WARD 10 | Yes | | Yes | Yes |
| WARD 11 | Yes | No | No | No |
| WARD 12 | Yes | Yes | Yes | No |
| WARD 13 | No | No | No | No |
| WARD 14 | No | Yes | Yes | No |
| WARD 15 | No | No | No | Yes |
| WARD 16 | Yes | Yes | Yes | Yes |
| WARD 17 | Yes | No | No | No |

PS: due to various reasons some Wards could not hold their quota of at least four meetings per year. Other Wards would either have one or two meetings per year during the year under review and other Wards would claim to have held a meeting but could not produce attendance registers as proof that the meeting was held.

5.3. EXECUTIVE SUPPORT PROGRAMMES

The Executive Support report focuses on six issues, namely:

- Youth development;
- Women development;
- People With Disabilities;
- HIV/AIDS Coordination;
- Communication; and
- Customer Care

5.3.1. YOUTH DEVELOPMENT

5.3.1.1. DARE TO DREAM YOUTH TALENT SEARCH

The municipality launched a youth talent show known as “Dare to Dream” last year, 2011. **Dare to Dream Show** was conceived as one of the strategic interventions towards youth development through enhancement of youth talent. This project was launched to ensure that youth talent is promoted, profiled, acknowledged and appreciated. The show acknowledges that talent can be a career for some and it can also be used to mobilize youth towards a constructive goal and purpose. The project is hosted annually and the first season was highly successful and Season One of Dare To

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Dream produced two artists – Amanda (gospel artist) & Ugie Mob (hip hop artists). They recorded their debut albums and the municipality organized album launch in December as part of promoting them as artists.

The artists featured 3 other artists, namely; Thina Jwara, Nkosinathi Mankayi & Lazola. Copies of their albums were sent to radio stations to be placed in their library and playlist. Interviews for these artists were arranged with Community Radio Stations in the Eastern Cape, Tru FM and Umhlobo Wenene. In December 2011 the albums were played on air for the first time at Unitra Community Radio. In 2012 the songs were played in Umhlobo Wenene FM weekly. Ugie Mob hit Top 20 at Ekhephini Community Radio. The artists were profiled several times in different programs on Soweto TV. Thina and Nkosinathi were spotted on television as they were backing for Amanda and were approached for recording by a Johannesburg based company. Thina already recorded her album in June and Nkosinathi was scheduled to follow after Thina's project was complete.

5.3.1.2. SPORT DEVELOPMENT

Elundini Local Municipality started a process of developing Sport Development Strategy in the third quarter of 2011/2012 financial year. As a result of that process a draft strategy is in place and the strategic thrust is mass participation, governance & leadership, sport development, sport infrastructure and talent management. The strategy was formulated to guide coordination and integrated approach towards sport development within Elundini area.

STRATEGIC PARTNERSHIPS

Strategic partnerships were initiated with local businesses and the managers of professional athletes were approached to be sports ambassadors of the municipality. In this regard FNB, Kwa Wicks Spar, managers of Mr. Andile Jali and the Ndungane brothers were approached to partner with them in running the Mayoral Cup and other sport related activities. Memorandum of Agreements were drafted and submitted to Strategic Governance Committee, EXCO & Council for approval.

INFRASTRUCTURE DEVELOPMENT

Two (2) sports grounds viz. Mt Fletcher and Ngcele were identified for upgrading. A service provider was appointed for the upgrade of Ngcele sport fields and this field has been put in the Three Year Capital Plan for further upgrading. Mt Fletcher field benefited from MIG funding and tender was awarded for the upgrade.

5.3.2. WOMEN EMPOWERMENT

5.3.2.1. THE KAIROS MOMENT

The Kairos Moment is a program that was initiated and launched by Elundini Local Municipality (ELM) in March 2012 and 52 women businesses participated in the project. The Kairos Moment is meant to motivate, encourage women in small or micro businesses to grow to the next level in terms of improved quality on the products they offer, business image and also improved customer service. The project when it started focused on three categories, viz. Culinary Arts (Cooking), Fashion Designing and Hair & Beauty to profile, promote and equip women with business management and technical skills. "Kairos" is an ancient Greek word meaning the *right* or *opportune* moment or the supreme moment.

STRATEGIC OBJECTIVES OF THE PROJECT

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

- ✓ To facilitate provision of more opportunities for women and youth in business
- ✓ To harness and nurture women businesses to be creative and innovative
- ✓ To facilitate constructive women mobilization, engagement and action

SPECIFIC OBJECTIVES

- ✓ To promote and raise cutting-edge women businesses
- ✓ To impart technical and business management skills

The duration of the program was five weeks and the first week focussed on technical and business management training of participants. Every Friday for four weeks, after intensive training, contestants were given tasks to perform and were then assessed based on how they delivered the task. Contestants who did make it through to the next round were still allowed to participate for further knowledge and skill. Businesses that got first, second and third placed received incentives of R10 000, R5 000 & R3 000 respectively for each category. These nine businesses also received business overhaul incentive to the value of R10 000 each.

Partnerships during The Kairos Moment

Kwa Wicks Spar & Weirs Cash & Carry in Maclear sponsored the project with grocery. Partnership was forged with SEDA and JGDM LED department as a result of the partnership SEDA Training on basic business skills conducted by SEDA for all KARIOS MOMENT and GADDAL programmes.

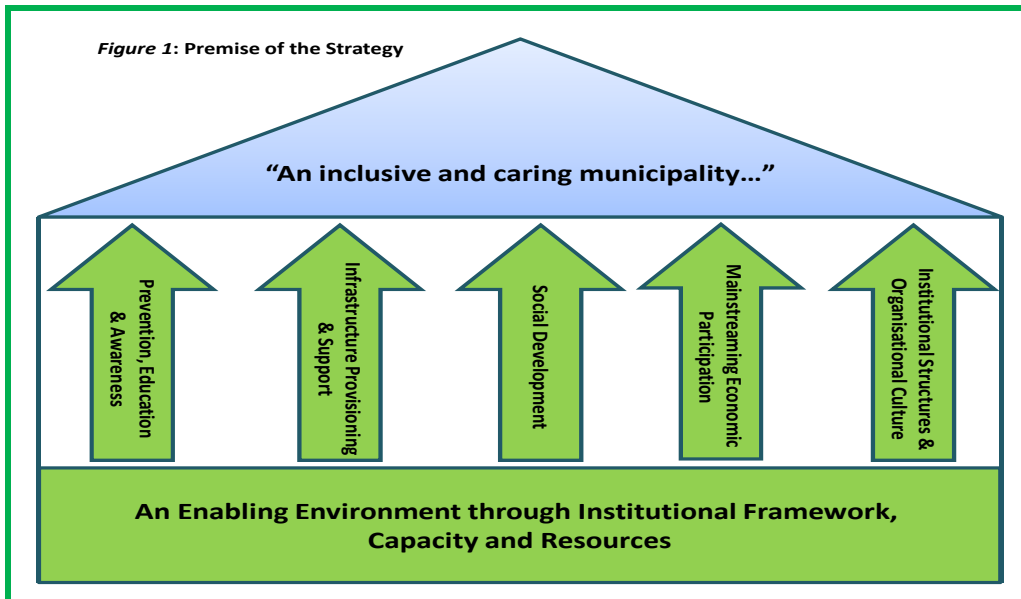
5.3.2.2. PHENOMENAL WOMAN

The Phenomenal Woman event was launched in 2010 with the main objective of encouraging and motivating women. The event created space for the municipality to profile itself to as more than two newspapers (Mthatha Fever, Barkley East Reporter and Eastern Cape Today) published the article on the event.

5.3.3. PEOPLE WITH DISABILITIES

5.3.3.1. STRATEGY DEVELOPMENT

The Municipality started a process of developing People with Disability Strategy in the third quarter of 2011/2012 financial year. As a result of that process a draft strategy is in place. The strategic thrust of the strategy is prevention, education & awareness; infrastructure provisioning & support; social development; mainstreaming economic participation; institutional structures & organizational culture.



The strategy gives direction and guidance in terms of the approach on how to facilitate development of PWD within the area of ELM to ensure coordinated and integrated approach.

5.3.3.2. REHABILITATION SERVICES

Besides strategy development, other activities that were done to support PWD were around collaborations with the Department of Health and Department of Social development towards assisting PWD with rehabilitation services. One family in Maclear was visited in order to advise on physiotherapy which is part of rehabilitation services. Food parcels were organized for the family and transport was arranged with Maclear General Hospital. The municipality also assisted in the submission ninety (90) PWD audit forms and based on the information that was collected the majority of the people were mentally retarded.

5.3.3.3. INTERNATIONAL DAY OF DISABILITY

The municipality participated in planning sessions for PWD month that was organized by Department of Social Development and facilitated attendance of PWD on the International day of Disability in December which was held at Matatiele. The municipality also provided support for Executive Committee for People with Disability.

5.3.4. HIV/AIDS COORDINATION

A meeting to close the year and to renew partnership was convened July 2011. HCBCs were encouraged and were given certificates for their achievements in different areas. Service Level Agreements were signed with 10 HCBCs. In January partnership was increased to other 4 HCBCs and that made a total of 14 HCBCs in partnership with ELM.

Through this partnership the municipality also participated in different education and awareness activities:

- ✓ School awareness campaign at Sithana JSS by the Department of Social Development and the municipality due to high rate of teenage pregnancy at this school
- ✓ Awareness campaign was conducted at Tsitsana Village by Department of Social Development and the municipality for drug abuse, teenage pregnancy, crime, alcohol abuse

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- HIV/AIDS, women abuse, child-headed families, child-support grant, disability grant, disability grant and foster care grant in August 2011
- ✓ Awareness at Esixhotyeni tribal to talk about witchcraft was held in October 2011
- ✓ All education and awareness events that were organized by HCBC's on a quarterly basis were attended by the municipality and other government departments like Social Development, Health, SAPS, SASSA, Home Affairs, etc.

5.3.4.1. WORLD AIDS DAY

The municipality was involved in the preparations of World AIDS Day hosted by the Joe Gqabi District Municipality in Maclear in November 2011. The event was highly successful and HCBCs, community members, government departments and other stakeholders attended the event. SPU also participated in Workplace World AIDS Day that was initiated by Human Resource department which was held in December 2011 at Maclear Town Hall.

5.3.4.2. LOCAL AIDS COUNCIL COORDINATION AND HCBC SUPPORT

Local AIDS Council (LAC) was launched in March and inducted in May 2009 but the structure had its own challenges which included the coordination of HIV/AIDS activities; the content of LAC meetings and attendance by relevant stakeholders. This resulted in the review of LAC functioning in the end of 2010/2011 financial year. The review led to the change of the content of LAC meetings to include tabling and presentation of reports by HCBCs and government departments. So, this meant that quarterly meetings that were held separately with HCBCs were merged with LAC quarterly meetings to have one meeting every quarter. The newly adopted approach proved to be prudent as it improved not only the attendance of LAC meetings but improved also the content. The approach also had a spin-off of savings because costs of meetings were cut into half.

All HCBCs were visited quarterly to monitor implementation and assess progress; to workshop HCBCs on the new reporting format; and also to provide needed support which included the writing of reports. Two other HCBCs were registered as NPOs.

5.3.4.3. PEOPLE WITH DISABILITIES PROGRAM

People with disability (PWD) were also part of business seminars organized for youth and women. The municipality also helped PWD in the identification of potential projects for support but unfortunately the three of them were not feasible. The municipality approached National Council for People with Physical Disability (NPDSA) to further provide support and continuous engagements with the structure were facilitated.

5.3.5. COMMUNICATION

5.3.5.1. INTERNAL COMMUNICATIONS TEAM

Internal communications team was established and its terms of reference developed and presented in the first meeting of the team. The structure was established as part of the implementation of communication strategy with the aim to contribute towards newsletter content development through submission of service delivery stories. The team is composed of all internal municipal departments and had its first seating in September 2011. Internal communications team was trained in website uploading of documents and files in October 2011. Quarterly meetings of internal communication team were held successfully.

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5.3.5.2. LOCAL COMMUNICATION FORUM

Local Communicators Forum (LCF) held its quarterly meetings successfully in 2011/2012 financial year. The approach towards LCF was reviewed due to challenges it faced and its complexity at the local level. The traditional approach of LCF composition is government communicators but this approach did not assist the local setting because most of the departments reside at a district level and do not often attend local activities.

The approach that was adopted was based on the communications strategy which proposed the composition of LCF to include ward councillors, ward committees, Community Development Workers, government departments and other local relevant stakeholders. The new approach has proved to be spot on as it ensured effectiveness of the structure. One of the key projects facilitated by the LCF is establishment or revival of the community radio. The municipality developed relations with SENTECH to help and to advise towards the process of community radio establishment.

5.3.5.3. ELUNDINI NEWSLETTER

Blue Snow is the official newsletter of the municipality established with the aim to give feedback to communities on service delivery progress and delays. Four quarterly newsletters were developed and distributed to communities and distribution points. The newsletter is offered in English, Xhosa and Sotho.

5.3.5.4. WEBSITE

One of the matters raised by Auditor-General in 2010 was the lack of uploading information prescribed by the legislation. The municipality developed a system of uploading information to the website to ensure compliance. All information required in terms of legislation is available like the IDP, Annual Report, Supply Chain report and other policy documents. Tenders and other adverts are uploaded weekly. Social accounts like Facebook and Twitter were developed

COMMUNICATIONS SUPPORT TO DEPARTMENTS

Communications provided support to other internal departments through the provision of communication infrastructure and services like video and photography, newspaper articles, etc. These services include amongst others:

- ✓ Involvement of communications in the door to door campaign and information day by Government Communications and Information System (GCIS) held in Ugie.
- ✓ Development of promotional material during the visit of the Auditor-General to market Elundini.
- ✓ Coverage of the Kairos Moment team and covered the event extensively ultimately becoming our main story for APRIL-JUNE 2012 newsletter.
- ✓ Participation on the Comprehensive Rural Development Program on Services on Wheels April and May 2012.
- ✓ Participated in the team that organized the Career Exhibition for Grade 11 that took place in May 2012 in Ugie, Maclear and Mount Fletcher.
- ✓ Covered the passing of the ANC torch in Maclear and Mt Fletcher.
- ✓ Covered the State of the Municipality address; the Xhosa translation of the Mayors address and was made available to municipal premises and distributed to municipal stakeholders.

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5.3.6. CUSTOMER CARE

5.3.6.1. SERVICE DELIVERY STANDARDS IMPLEMENTATION

Elundini Local Municipality engaged in a process of developing Service Delivery Standards in 2010/2011 financial and as a result of that process Service Delivery Standards document was in place. The main purpose for the development of this document was to fulfil commitment of the municipality to be people-centred institution.

In 2011/2012 financial year institutional & departmental charters which were derived from Service Delivery Standard were developed and refined by respective departments. All staff members were work-shopped on service delivery standards in partnership with Skills Development Facilitation section. Elundini Service Standards Charter document was made available in municipal premises Maclear offices, Maclear Library, Ugie municipal offices, Ugie library, Mt Fletcher municipal offices, Mt Fletcher library.

The document was also translated into Xhosa and Sotho and notice was also put in terms of Section 21a of the Municipal Systems Act, 2000 in the Daily Dispatch (06-02-2011) and members of the public were invited to comment. The notice also featured Xhosa and Sotho translations. The material for Service Standards that include a 24 page booklet, retractable banners, Gold Frames was developed, displayed in municipal offices and booklets distributed.

Service Delivery Standards implementation plan was developed and presented by each internal municipal department and head of departments have responsibility to monitor implementation of the plans in their respective departments and report the progress to the Municipal Manager.

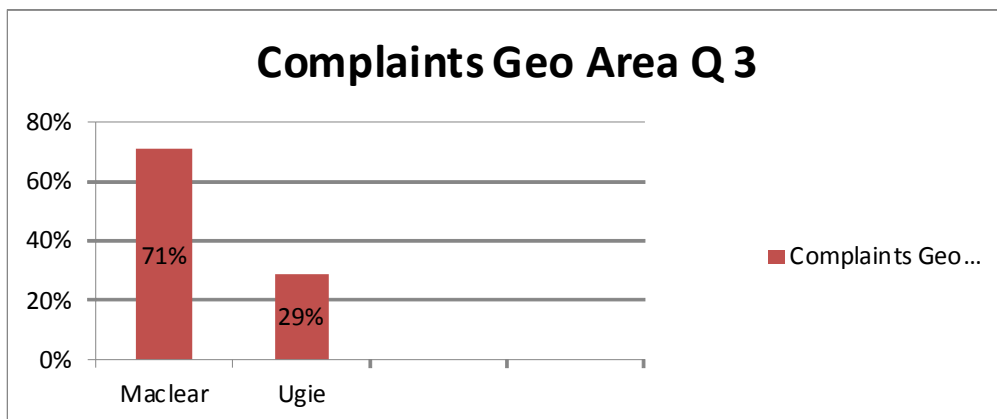
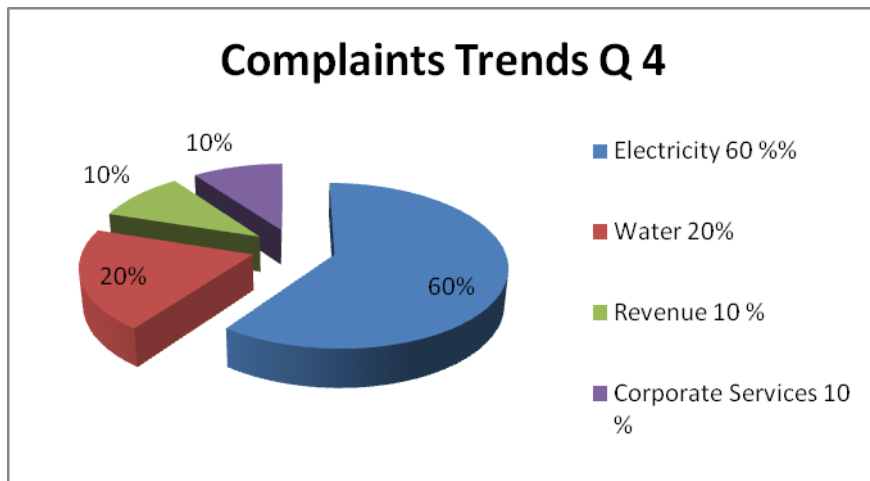
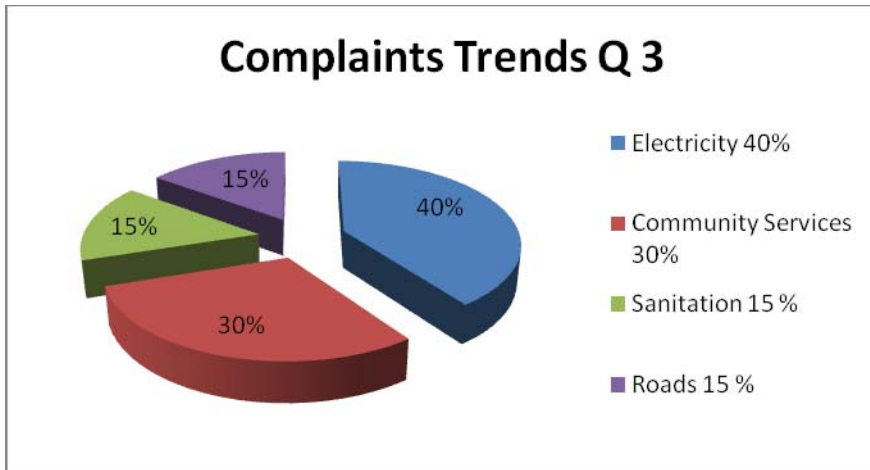
5.3.6.2. CUSTOMER CARE CONSULTANTS

Customer Care Consultants were appointed in December 2011 and started working in January 2012. Their responsibility is to run customer help desks and handle complaints, queries and complements in the three municipal offices in Ugie, Maclear and Mt Fletcher. The main areas of focus for customer service are customer service management, presidential hotline and tip-off anonymous for fraud reporting. As a result of the appointment of Customer Care Consultants, the **Presidential Hotline** performance changed drastically and improved from less than 34% to between 94% & 100% almost weekly and for the greater part the municipality was at 100%. **Tip-off anonymous** reports were also produced monthly and reports for walk-in cases were developed monthly. Research on integrated automated system for customer care was conducted and draft specification process was developed.

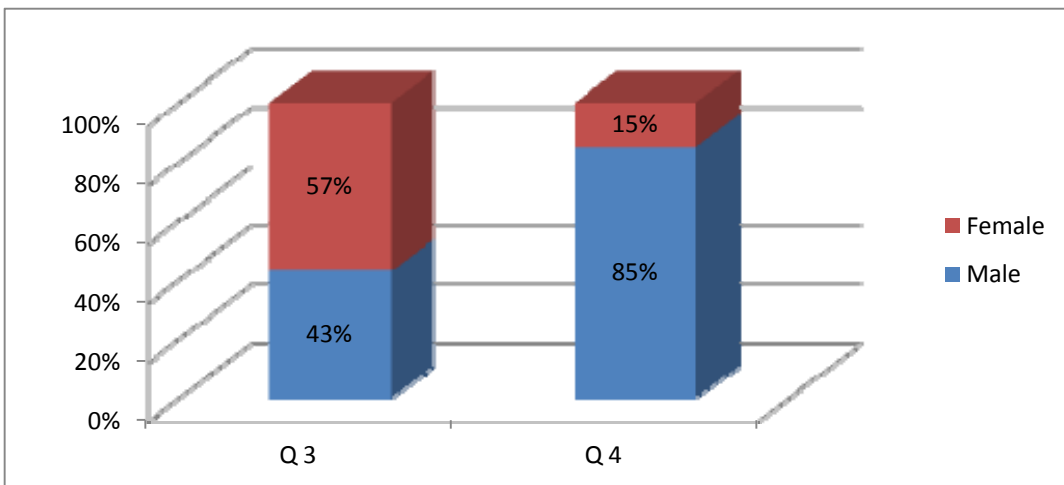
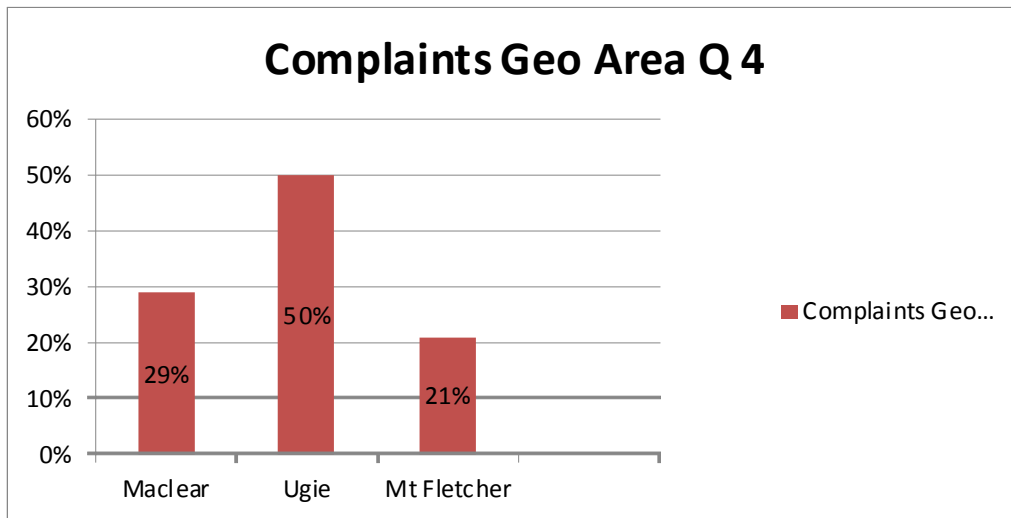
5.3.6.3. ELM CUSTOMER SERVICE MANAGEMENT

The number of complaints received in Quarter 3 was seven (7) and in Quarter 4 were fourteen (14). The figures below reflect complaints trends in terms of complaints received, geographic area and gender.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012



ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012



5.3.6.4. PRESIDENTIAL HOTLINE

The presidential hotline was established in September 2009, the aim of the hotline is to encourage an all-round improvement in citizen care and liaison, and to introduce a culture of putting the citizen first in all government departments as well as municipalities. According to the hotline, "this is part of the president's directive to create an interactive, accessible and responsive government." At Elundini Municipality the presidential hotline has been allocated within the customer care section on the Office of the Municipal Manager. The three customer care consultants led by Assistant Manager: Public Participation, Communications and Customer Care have been allocated the responsibility of responding to the presidential hotline queries. The presidential hotline is updated on a daily bases (if there are cases) and are referred to relevant municipal departments for their prompt response. The complaints are then verified by the Provincial Department of Traditional and Local Affairs before they are certified as resolved. The tables below reflect ELM improved performance since the arrival of Customer Care Consultants.

NB: Results that were submitted by the Provincial Department of Local Government for January did not provide breakdown for municipal performance instead it gave a provincial picture.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

**PRESIDENTIAL HOTLINE SUMMARY REPORT
Eastern Cape Province as at 31 January 2012**

1. Performance

1.1 Rollup of calls (YTD)

| Category | Sept 2009 - Aug 2010 | Sept 2010 | Oct 2010 | Nov 2010 | Dec 2010 | Jan 2011 | Feb 2011 | March 2011 | April 2011 | May 2011 | June 2011 | July 2011 | Aug 2011 | Sept 2011 | Oct 2011 | Nov 2011 | Dec 2011 | Jan 2012 | Total |
|---|-------------------------|--------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|--------|
| Cumulative - Open Calls | 2,066 | 2,214 | 2,294 | 2,392 | 2,455 | 2,525 | 2,566 | 2,660 | 2,726 | 2,807 | 2,862 | 2,920 | 2,999 | 3,067 | 3,100 | 3,172 | 3,196 | 3,241 | 3,241 |
| Cumulative - Resolved Calls | 95 | 113 | 121 | 135 | 147 | 151 | 154 | 178 | 194 | 234 | 288 | 379 | 427 | 447 | 667 | 849 | 877 | 1,053 | 1,071 |
| Cumulative - Total Calls | 2,161 | 2,327 | 2,415 | 2,527 | 2,602 | 2,676 | 2,720 | 2,838 | 2,920 | 3,041 | 3,150 | 3,299 | 3,426 | 3,514 | 3,767 | 4,021 | 4,073 | 4,294 | 4,312 |
| Percentage Resolved | 4.4% | 4.86% | 5.01% | 5.34% | 5.65% | 5.64% | 5.66% | 6.27% | 6.64% | 7.69% | 9.14% | 11.49% | 12.46% | 12.72% | 17.71% | 21.11% | 21.53% | 24.52% | 24.84% |
| Avg. Time to Resolve (Gov. bus. Hours) | 671 | 877 | 882 | 946 | 1,063 | 1,077 | 1,095 | 1,244 | 1,331 | 1,542 | 1,807 | 2,106 | 2,224 | 2,270 | 2,615 | 2,827 | 2,858 | 2,957 | 2,949 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

1.2 Breakdown of calls (YTD)

| District Municipality | Number Open Calls | Number Resolved Calls | Avg. Resolve Time (Gov. bus. hours) | Total Calls | % Resolved |
|----------------------------------|-------------------|-----------------------|-------------------------------------|--------------|---------------|
| Amatole District Municipality | 484 | 179 | 2987 | 663 | 27% |
| O R Tambo District Municipality | 619 | 33 | 2353 | 652 | 5.06% |
| Alfred Nzo District Municipality | 450 | 133 | 3067 | 583 | 22.81% |
| Chris Hani District Municipality | 192 | 232 | 3051 | 424 | 54.72% |
| Joe Gqabi District Municipality | 92 | 186 | 3024 | 278 | 66.91% |
| Cacadu District Municipality | 147 | 18 | 2927 | 165 | 10.91% |
| Total | 1,984 | 781 | 3,000 | 2,765 | 28.25% |

WEEKLY REPORT 17 FEBRUARY 2012

| JOE GQABI DISTRICT MUNICIPALITY | | | | | 77.39 % |
|---------------------------------|----------------|-----|----|-----|------------|
| Elundini | Thabile Sokupa | 142 | 3 | 139 | 97.89% |
| Gariep | Lunga Gqetywa | 9 | 6 | 3 | 33.33% |
| Maletswai | Zuzani Masina | 21 | 1 | 20 | 95.24% |
| Senqu | Unathi Jaza | 63 | 23 | 40 | 63.49% |

WEEKLY REPORT 09 MARCH 2012

| JOE GQABI DISTRICT MUNICIPALITY | | | | | 86.32 % |
|---------------------------------|----------------|---|-----|-----|------------|
| Elundini | Thabile Sokupa | 4 | 141 | 145 | 97.24% |
| Gariep | Lunga Gqetywa | 1 | 9 | 10 | 90% |
| Maletswai | Zuzani Masina | 1 | 20 | 21 | 95.24% |
| Senqu | Unathi Jaza | 6 | 56 | 62 | 90.32% |

WEEKLY REPORT 16 MARCH 2012

| JOE GQABI DISTRICT MUNICIPALITY | | | | | 94.35 % |
|---------------------------------|----------------|---|-----|-----|------------|
| Elundini | Thabile Sokupa | 0 | 154 | 154 | 100% |
| Gariep | Lunga Gqetywa | 1 | 10 | 11 | 90.91% |
| Maletswai | Zuzani Masina | 2 | 20 | 22 | 90.91% |
| Senqu | Unathi Jaza | 6 | 61 | 67 | 91.04% |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

WEEKLY REPORT 23 MARCH 2012

| | | | | | |
|--|----------------|---|-----|-----|---------------|
| JOE GQABI DISTRICT MUNICIPALITY | | | | | 95.41 |
| | | | | | % |
| Elundini | Thabile Sokupa | 0 | 155 | 155 | 100% |
| Gariep | Lunga Gqetywa | 0 | 11 | 11 | 100% |
| Maletswai | Zuzani Masina | 2 | 20 | 22 | 90.91% |
| Senqu | Unathi Jaza | 5 | 62 | 67 | 92.54% |

WEEKLY REPORT 04 MAY 2012

| | | | | | |
|--|---|---|-----|-----|---------------|
| JOE GQABI DISTRICT MUNICIPALITY | | | | | 95.21 |
| | | | | | % |
| Elundini | Thabile Sokupa, Gcobisa Mtolo, Simthandile Mpongwana, Blakfesi Z | 1 | 158 | 159 | 99.37% |
| Gariep | Lunga Gqetywa | 1 | 11 | 12 | 91.67% |
| Maletswai | Zuzani Masina | 2 | 22 | 24 | 91.67% |
| Senqu | Unathi Jaza | 5 | 62 | 67 | 92.54% |

WEEKLY REPORT 13 JUNE 2012

| | | | | | |
|--|---|---|-----|-----|---------------|
| JOE GQABI DISTRICT MUNICIPALITY | | | | | 97.67 |
| | | | | | % |
| Elundini | Thabile Sokupa, Gcobisa Mtolo, Simthandile Mpongwana, Blakfesi Z | 0 | 167 | 167 | 100% |
| Gariep | Lunga Gqetywa | 1 | 11 | 12 | 91.67% |
| Maletswai | Zuzani Masina | 2 | 23 | 25 | 92% |
| Senqu | Unathi Jaza | 0 | 68 | 68 | 100% |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

WEEKLY REPORT 22 JUNE 2012

| JOE GQABI DISTRICT MUNICIPALITY | | | | | 97.66 % |
|--|---|---|-----|-----|--------------------|
| Elundini | Thabile Sokupa, Gcobisa Mtolo, Simthandile Mpongwana, Blakfesi Z | 1 | 166 | 167 | 99.4% |
| Gariep | Lunga Gqetywa | 1 | 11 | 12 | 91.67% |
| Maletswai | Zuzani Masina | 2 | 23 | 25 | 92% |
| Senqu | Unathi Jaza | 1 | 67 | 68 | 98.53% |

5.3.6.5. TIP-OFF ANONYMOUS (FRAUD PREVENTION HOTLINE)

| Calls Received | Incidents Reported | Date |
|----------------|--|-----------------------|
| 0 | There has been no activity reported for this period. | 01 -31 August 2011 |
| 4 | 1 call was testing the line and 3 calls were wrong numbers. | 01 -30 September 2011 |
| 0 | There has been no activity reported for this period. | 01 – 31 October 2011 |
| 1 | The caller reported illegal electricity connection in Ugie. The caller received the line from the newsletter. | 01 – 30 November 2011 |
| 1 | Wrong number | 01 – 31 December 2011 |
| 2 | Wrong number | 01 – 30 January 2012 |
| 2 | Wrong number | 01 – February 2012 |
| 2 | Wrong number | 01 – 31 March 2012 |
| 2 | 1 call was test call and the other call was a wrong number | 01 – 30 April 2012 |
| 3 | Testing | 01 – 31 May 2012 |
| 0 | There has been no activity reported for this period. | 01 – 30 June 2012 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

5.4. LEGAL MATTERS

5.4.1. SETTING UP OF LEGAL UNITS

The Legal function of the municipality is located in the office of the MM but remains un-resourced. The Corporate Services Manager who has a legal background has been entrusted with the responsibility of handling all institutional legal matters until such time that a Legal and Compliance Officer has been appointed. The following service providers were used by the municipality with all related matters during the year under review:

- ✓ McFarlane & Associates
- ✓ Wesley Pretorius & Associates
- ✓ Mantyi Attorneys
- ✓ Jolwana Mgidlana Incorporated
- ✓ O'Conner Attorneys
- ✓ Sodo Inc. RM
- ✓ Kirchmanns Inc.
- ✓ Fikile Ntayiya & Associates
- ✓ Drake Flemmer & Orsmond
- ✓ Nompilo Sidondi Consulting

5.4.2. MANAGEMENT OF LITIGATION

5.4.2.1. CASE LOAD MANAGEMENT

5.4.2.2. CASE AGE ANALYSIS

| Case Name | Nature of the Case | Date of Commencement | Cases of 2 years or below | Cases beyond 2 years | Reasons for extensive duration |
|-------------------------|---|---------------------------------------|---------------------------|----------------------|---|
| Mr S. Songca | Claiming for farm damages resulting from veld fires | 1st November 2010 | | ✓ | The claim is still pending before court |
| WESBANK | Failure to honour a contract. | July 2011 | | ✓ | This matter is currently pending before the High Court in Grahamstown |
| Amadwala Trading 363 CC | Interdict on bidding process: Dengwane Access Road | No court date has been set as to date | ✓ | | Less than 2years |

5.4.2.3. PREVENTION MECHANISM OF CURRENT LITIGATION

The municipality is ensuring that all departments do comply with the legal prescripts within their respective areas of performance.

5.4.3. MANAGEMENT OF LEGAL RISKS

The Municipality is in the process of formulating a policy on the management of legal risk that will have to be adopted by the Council and is in a process of employing a fulltime legal adviser.

SECTION 4 – FUNCTIONAL AREAS SERVICE DELIVERY REPORTING

6.1. INTRODUCTION

During the year under review, the municipality developed and implemented a performance management system as required by the Municipal Systems Act (Act 32 of 2000) and the Municipal Planning and Performance Regulations (2001). The regulations stipulate that a municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting and improvement will be conducted, organized and managed, including determining the roles of the different role players.

In terms of the Municipal Finance Management Act (Act 56 of 2003), the municipality also developed a service delivery and budget implementation plan which was linked to the performance management system.

6.2. AUDITED ANNUAL FINANCIAL STATEMENTS

Audited financial statements are attached as an annexure.

6.3. THE REPORT OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Elundini Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the accounting officer's report.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as the accounting officer determines is necessary

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Elundini Local Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 36 to the financial statements, the corresponding figures which relate to the year ended 30 June 2011 have been restated as a result of the expiry of the provisions contained in Directive 4 relating to property, plant and equipment as well as errors and reclassifications discovered during the current financial year.

Unauthorised expenditure

9. As disclosed in note 42.1, unauthorised expenditure amounting to R35 324 576 was incurred during the year ended 30 June 2012. This was due to overspending of budget on certain votes.

Material underspending of the budget

10. The municipality has materially underspent on its capital budget. As disclosed in note 41 to the financial statements, R11 614 840 of the capital budget remained unspent at 30 June 2012.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

12. The supplementary information set out on pages 73 and 74 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA REQUIREMENTS

13. 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

14. 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.

15. 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 annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. The material findings are as follows:

Usefulness of information

Measures taken to improve performance not disclosed

17. Improvement measures in the annual performance report for a total of 100% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act. This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Performance targets not specific

18. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 26% of the targets relevant to service delivery and infrastructure development and financial sustainability and viability were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

Performance targets not measurable

19. The National Treasury FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 26% of the targets relevant to service delivery and infrastructure development and financial sustainability and viability. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Performance Indicators not well defined

20. The National Treasury FMPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 26% of the indicators relevant to service delivery and infrastructure development and financial sustainability and viability 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 aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Indicators not verifiable

21. The National Treasury FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 26% of the indicators relevant to service delivery and infrastructure development and financial sustainability and viability were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Reliability of information

Validity

Reported performance not valid

22. The National Treasury FMPPI requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity of the actual reported performance relevant to 29% of service delivery and infrastructure development and financial sustainability. This was due to limitations placed on the scope of my work by the absence of information systems.

Accuracy

Reported performance not accurate

23. The National Treasury FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 29% of service delivery and infrastructure development and financial sustainability. This was due to limitations placed on the scope of my work by the absence of information systems.

Completeness

Reported performance not complete

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

24. The National Treasury FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of the actual reported performance relevant to 29% of service delivery and infrastructure development and financial sustainability. This was due to limitations placed on the scope of my work by the absence of information systems.

In addition to the above material findings, I draw attention to the following matter:

Achievement of planned targets

25. Of the total number of planned targets, only 48 were achieved during the year under review. This represents 54% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

26. I performed procedures to obtain evidence that the 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:

Annual financial statements, performance 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 of current assets, revenue and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Budget

28. Expenditure was incurred in excess of the limits provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Procurement

29. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.

Internal control

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

31. The accounting officer reviewed the financial statements and the report on predetermined objectives prior to their submission for audit. However, certain audit adjustments needed to be made to the financial statements. Oversight responsibilities were sufficiently discharged but actions can still be improved. The municipality implemented an action plan to address internal control deficiencies and significant improvements have been noted in the overall number of audit findings in the current year; however, additional review of the IDP and SDBIP is still required to ensure compliance with regulations.

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

Financial and performance management

32. The annual financial statements submitted for audit were subject to material amendments. This was as a result of the additional workload at management level required to finalise property, plant and equipment values. Junior Finance officials are not sufficiently skilled to perform a lower level review of the draft annual financial statements in order to identify casting errors.
33. In addition, non-compliance was noted relating to performance information. Management has not addressed prior year findings relating to how indicators and targets are worded. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Auditor-General.

East London

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

6.4. PLAN OF ACTION TO ADDRESS FINDINGS FROM THE AUDITOR-GENERAL REPORT

| AUDIT OUTCOME 2011 - 2012: RESPONSE PLAN | | | | | | |
|--|--|------|----------------------|--------------------|---|---------------------|
| No. | FINDING | DEPT | RESPONSIBLE OFFICIAL | RECTIFIED (YES/NO) | ACTION PLAN | IMPLEMENTATION DATE |
| 1 | Unauthorised expenditure incurred during the financial year, due to restatement of corresponding figures relating to PPE - provisions of directive 4 depreciation charges not budgeted | BTO | C.F.O. | No | Item to be presented to Council for condonment pursuant of section 32 of the MFMA- Non cash flow related item; Adoption of directive 4 and restatement of PPE in full compliance with GRAP 17 -depreciation charges could not be determined at time of adjustments budget; matter to be addressed within the 2012/2013 adjustments budget | Mar-13 |
| 2 | Material underspending on capital Budget- R 11.6 Million | ALL | MM | No | Demand Management plan to be formulated and adopted by Council, introduction of a monthly/quarterly Projects report to supplement section 71 report | Jan-13 |
| 3 | Predetermined objectives - the Annual performance report did not contain measures taken to improve under performance | MM | Municipal Manager | No | Annual performance report to contain a performance improvement plan in line with documented performance outcomes | Jun-13 |
| 4 | Predetermined objectives - Performance targets not specific | MM | Municipal Manager | No | Alignment of the IDP and Balanced Scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; Comprehensive review to be undertaken on SMART criteria with the view of amending IBSC, SDBIP and PA to ensure specificness of targets | Feb-13 |
| 5 | Predetermined objectives - Performance targets not measurable | MM | Municipal Manager | No | Alignment of the IDP and Balanced Scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; Comprehensive | Feb-13 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | | | | | |
|----|---|------|---|----|---|--------|
| | | | | | review to be undertaken on SMART criteria with the view of amending IBSC, SDBIP and PA to ensure measurability of targets | |
| 6 | Predetermined objectives - Performance targets not well defined | MM | Municipal Manager | No | Alignment of the IDP and Balanced Scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; Comprehensive review to be undertaken on SMART criteria with the view of amending IBSC, SDBIP and PA to ensure proper definition of targets | Feb-13 |
| 7 | Predetermined objectives - Performance targets not verifiable | MM | Municipal Manager | No | Alignment of the IDP and Balanced Scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; Comprehensive review to be undertaken on SMART criteria with the view of amending IBSC, SDBIP and PA to ensure verifiability of targets | Feb-13 |
| 8 | Predetermined objectives - Reported performance not valid | SPED | Strategic Planning and Economic Development | No | Revised reporting template to be introduced; submitted information to be validated against reported information quarterly, prior to formalisation of performance report for the quarter(Introduction of qualitative and quantitative report to supplement and contextualise reported information | Jan-13 |
| 9 | Predetermined objectives - Reported performance not accurate | SPED | Strategic Planning and Economic Development | No | Revised reporting template to be introduced; submitted information to be validated against reported information quarterly, prior to formalisation of performance report for the quarter(Introduction of qualitative and quantitative report to supplement and contextualise reported information | Jan-13 |
| 10 | Predetermined objectives - Reported performance not complete | SPED | Strategic Planning and Economic | No | Revised reporting template to be introduced; submitted information to be validated against reported information quarterly, prior to | Jan-13 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | | | | | |
|----|---|------|---|-----|--|--------|
| | | | Development | | formalisation of performance report for the quarter(Introduction of qualitative and quantitative report to supplement and contextualise reported information | |
| 11 | Predetermined objectives - 54% of planned performance targets were not achieved during the year | SPED | Strategic Planning and Economic Development | No | Revised reporting template to be introduced; submitted information to be validated against reported information quarterly, prior to formalisation of performance report for the quarter (Introduction of qualitative and quantitative report to supplement and contextualise reported information. | Jan-13 |
| 12 | Construction projects were not always advertised with the construction industry Development Board (CIDB) as required by section 22 of the CIDB Act and CIDB regulation 18 | FIN | C.F.O. | Yes | SCM procedural manual to be amended to include uploading of adverts on CIDB website | Jan-13 |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

6.5. AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2012

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

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act (MFMA), Act No.56 of 2003 by adopting appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee ("Committee") Charter stipulates amongst other issues the primary purpose of the committee, which is:

- To monitor the integrity of the ELM's financial statements and announcements relating to its financial performance, reviewing significant financial reporting judgments.
- To keep under review the effectiveness of the ELM's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.
- To oversee the relationship with the internal and external auditors, including agreeing their audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The Committee reports to the council.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The system of internal control applied by the municipality over financial risk and risk management is effective, efficient and transparent.

In line with the MFMA, Companies Act 2008 and King III on Corporate Governance requirements, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of risk management process, as well as identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors it was noted that the system of internal control was not entirely effective for the year under review as compliance with prescribed policies and procedures was lacking in certain instances. Where remedial action has not already been effectively implemented, steps will be taken to address the reported weaknesses.

The Committee however recognises the significant efforts and commitment from management to improve internal controls.

INTERNAL AUDIT

Internal audit has been outsourced to Ilitha Lelizwe Consulting (Pty) Ltd. This was however their last year as the contract came to an end on 30 June 2012. The Audit Committee appraised the expertise, resources, independence and objectivity of the Internal Auditors for 2012. The Committee is

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satisfied that the Internal Audit function operated effectively during the year under review and that it has addressed the risks pertinent to the municipality in its audits.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has:

- Reviewed and discussed the audited financial statements to be included in the annual report;
- Reviewed accounting policies and practices.
- Reviewed the Auditor General's management report and management's responses thereto.
- Reviewed the municipality's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

EXTERNAL AUDITORS AND AUDIT REPORT

The Committee has verified the independence of the external auditors, Auditor General South Africa, especially in relation to the team allocated to the municipality and has noted the audit fees and the audit plan.

The Committee concurs with the audit report from Auditor General and have noted with great encouragement the significant improvement in the results of Elundini Local Municipality.

AUDI COMMITTEE MEMBERS AND ATTENDANCE

The Committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

| MEMBER | NO. OF MEETINGS HELD DURING TIME IN OFFICE | NO. OF MEETINGS ATTENDED |
|------------------------------------|---|---------------------------------|
| Ms N Mnconywa (Chairperson) | 4 | 4 |
| Ms L Dart | 4 | 3 |
| Mr Q Williams | 4 | 3 |
| Adv. G Richards | 4 | 3 |

Meetings of the Committee are attended by the Municipal Manager, Chief Financial Officer, Portfolio Head of Finance Standing Committee, Secretary to the Municipal Manager (who acts as secretary to the Committee), Chairperson of MPAC, Internal Auditors, External Auditors and representatives from Treasury and Department of Local Government and Traditional Affairs. Separate meetings are held with the External Auditors, Internal Auditors and Management if need arises.

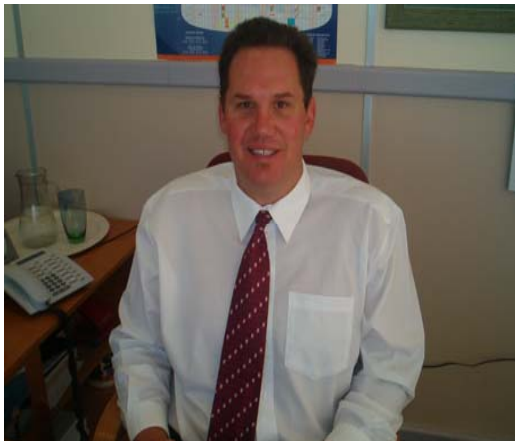
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N MNCONYWA
CHAIRPERSON OF THE AUDIT COMMITTEE

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MEMBERS OF THE AUDIT COMMITTEE



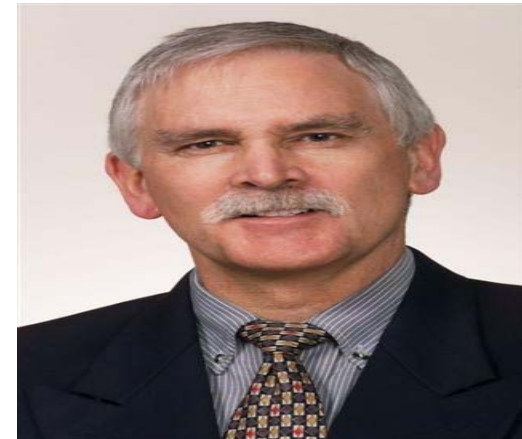
Ms. N Mnconywa (Chairperson)



Mr. Q Williams (Member)



Ms L Dart (Member)



Adv G Richards (Member)

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6.6. DETAILED ASSESSMENT OF PERFORMANCE AGAINST SERVICE DELIVERY TARGETS FOR THE YEAR UNDER REVIEW

The detailed assessment below reflects that a significant number of the targets were not met during the year under review. The main challenge identified is that the targets have failed to meet the criteria of specificity, measurability, achievability, realistic and timelines as required by the Municipal Planning and Performance Management Regulations, 2001. The municipality is already revising its service delivery and budget implementation plan (SDBIP) for 2012/2013 to ensure that all the performance indicators and targets meet the prescribed criteria.

| KEY ISSUES | HIGH LEVEL PRIORITIES | INDICATOR | OBJECTIVES | STRATEGIES (ACTIVITIES) | CONTRIBUTION | BASELINE | TARGET 2011-2012 | RESPONSIBLE MANAGER | PROGRESS AS AT 30 JUNE 2012 | ACHIEVED/ NOT ACHIEVED AND REASONS FOR DEVIATION |
|---|---|---|---|--|---------------------|--|---|----------------------------|--|--|
| Shortage of critical skills; | Integrated Planning and reporting; | Active participation of the municipality during the legislative review process. Comments are packaged for submission a week before the closing date | Effective review and input to legislation by 2012/2013 | Establish Monitoring and Evaluation Unit | Inputs and comments | Current pieces of legislation do not have concrete processes and procedures for co-ordinating comments towards legislative review processes. | Review committee established | Corporate Services Manager | Having agreed with the municipal manager that this target be removed based on the reasoning that whenever there is legislative review, SALGA is responsible for putting comments on behalf of all the municipalities, the item was submitted before Council on 29th June 2012. | Not achieved. This target be removed based on the reasoning that whenever there is legislative review, SALGA is responsible for putting comments on behalf of all the municipalities, the item was submitted before Council on 29th June 2012. |
| Poor co-ordination and limited integration of development; | Review of critical legislation and by-laws; | Active involvement of all government departments | Active and effective stakeholder coordination by Dec 2011 | Establish Local Coordinating Unit | Inputs and comments | No proper co-ordination of services | Local Coordinating Unit is established by end | Corporate Services Manager | ➤ Terms of Reference for the By Law Forum were formulated; | Not achieved. The target was deferred to 2012/2013 due to none |

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| | | in all municipal activities | | | | | December 2011 | | <ul style="list-style-type: none"> ➤ The terms of reference were forwarded to the Municipal Manger for circulation to internal stakeholders for comments; ➤ Municipal Manger comfortable that the processes may be taken further after receiving comments from one internal stakeholder; ➤ A By-Law on Outdoor Advertising Draft By – Law formulated and submitted to the municipal manager and was submitted to EXCO for consideration; ➤ External stakeholder meeting successfully convened on 22nd June 2012 to have | <p>completion of the municipal renovations. The item was submitted before Council on 29th June 2012.</p> |
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| | | | | | | | | | <p>stakeholder by in;</p> <ul style="list-style-type: none"> ➤ Ensured budget provisioning for the promulgation of by laws that could not be promulgated in the 2010/2011 financial year because of budgetary constraints | |
| Institutional sustainability (stability); | Archives and safe record/document control | Duly approved filing plan by the Provincial Archive | Approved Records Management Policy and filing plan approved by Provincial Archives by end 2011/12 | Establish a fully compliant registry office with storage in accordance with an approved policy | Approval of a filing plan | No properly maintained and managed record structure | Obtain Council's approval on records | Corporate Services Manager | <ul style="list-style-type: none"> ➤ Due to non-completion of the renovations for the new registry office, this target could not be met. A full report was submitted in the mid-term assessment report which was subsequently submitted to council on 29th June 2012; ➤ That the target will be more relevant in the next financial year | Not achieved. The target was deferred to 2012/2013 due to none completion of the municipal renovations. The matter was submitted to the Municipal Council on 29/06/2013 |

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| | | | | | | | | | <ul style="list-style-type: none"> ➤ 2012/2013; Budget considerations have been given effect to for the 2012/2013 financial year | |
| | | 80% of staff is productive and happy. | Staff Attraction and Retention Strategy is in place by 2011/2012 | Implement a Staff attraction and retention strategy | Grants, training | Attraction and Retention Strategy is in place | Identified Critical and Strategic positions for earmarking | Corporate Services Manager | <ul style="list-style-type: none"> ➤ A criteria for identifying critical and strategic positions had been developed; ➤ No response received in terms of the criteria sent; ➤ Competency models are those as determined by National Treasury which the municipality had to adopt; ➤ There is a need to develop Talent Management Strategy which will ensure that the municipality is able to develop a purposeful process for | Achieved |

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| | | | | | | | | | | <p>sourcing, attracting, engaging, managing, developing and retaining key talent.</p> <ul style="list-style-type: none"> ➤ The strategy was intended to be developed during the fourth quarter but because of budgetary constraints, the strategy could not be developed; ➤ The said strategy has now been budgeted for and will be developed in the 2012/2013 financial year. | |
| | | All comments from the A-G, Provincial Treasury and DCOGTA On the IDP are adequately addressed | A Credible IDP achieved and all comments by MEC and AG addressed 2011/2012 | Review IDP, Update and comply with requirements | Comments and input | No credible IDP | Credible IDP | Municipal Manager | <ul style="list-style-type: none"> ➤ IDP submitted & approved by council 15/6/12. ➤ IDP rep forum held on 23/5/2012. ➤ Notice of IDP rep forum 21/5/2012. ➤ IDP assessments done from 16 - | Achieved | |

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| | | | | | | | | | | <p>20/4/2012.</p> <ul style="list-style-type: none"> ➤ MEC's comments were received indicating an overall rating of high quality. ➤ Mr Norman Minaar from the Office of the Auditor General was invited and addressed EXCO and management on the ways in which the presentation of performance information in the IDP and SDBIP could be improved so as to avert negative AG findings - 13/4/2012. ➤ 5 year strategy to inform the content and framework of the IDP adopted on 6/12/11. ➤ Workshop to align strategy, IDP, Budget and SDBIP held |
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| | | Improve municipal financial and administrative capability through the filling of all vacant positions with competent experienced staff | 5 vacant Critical Skills posts filled by 2012/2013 | Identify skills requirements and recruit appropriate staff | Communicate departmental needs and participating in recruitment until finalized | Identification of critical skills requirements and recruitment | Fill 5 Vacant posts | Corporate Services Manage | 13-16/5/2012 <ul style="list-style-type: none"> ➤ Critical skills were identified, budget for and filled; Request forms were submitted; ➤ Positions were advertised and interviews conducted; ➤ Thirty (35) employees have been recruited. | Achieved |
| | | Full compliance with the Council calendar | Fully functional Admin support to Council by 2012/2013 | Continuous secretarial support; Council committees established and functioning | Active participation by all departments | Continuous secretariat support to council. Agendas are drafted and the minutes are typed and filled. Council committees established | Well-functioning Council and its committees | Corporate Services Manage | An Agenda Distribution Register wherein councillors are caused to sign for receipt of the agenda has been established; There is continuous monitoring of distribution of agenda items; Compliance with council calendar is being enforced and any deviations there from should have the approval of the municipal manager; A Schedule of Council Resolutions has been developed | Achieved |

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| | | | | | | | | | to monitor and track implementation of resolutions; Monthly notice is issued to all departments advising of the dates of sittings of committees. | |
| | | Implementation of the Employment Equity Plan | Effective implementation of the Employment Equity Plan by 2011/2012 | Head hunting, approaching disability organizations, and career path/succession programmes | Comments and inputs | Milestones previously set in the EE Plan have been fully achieved. | Reviewal of Employment Equity Plan and the implementation thereof. | Corporate Services Manage | <ul style="list-style-type: none"> ➤ EE & Skills Development committee has been resuscitated in July 2011; ➤ EE & Development Committee was trained by LGSETA on 26th September 2011; ➤ Terms of Reference were tabled and inputs were solicited from the committee members; ➤ Draft for EE Plan is available; ➤ EE Report for 2011 has been presented to the committee; | Achieved |

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| | | | | | | | | | <ul style="list-style-type: none"> ➤ The report has been submitted to department of Labour and an acknowledgement of receipt has been received from the department of Labour. ➤ EE starts in October in each year and implementation has to be aligned with the reporting cycle. ➤ EE workshop for the SDEEF members and the unions was conducted on the 8th March 2012; ➤ Draft employment equity plan in place; ➤ Two EE Plan consultation meetings were held, one on the 20th June and another on the 02 May 2012 ➤ Infrastructure | |
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| | | | | | | | | | <p>Planning & Development & Strategic Planning and Economic Development Managers were targeted to be women (Copy of the adverts to be submitted)</p> <ul style="list-style-type: none"> ➤ Information submitted to DoL for EE Substantive Inspection on the 20th June 2012. | |
| | | <p>Implementation of Performance Management System by extending same to the lowest levels</p> | <p>Fully functional Performance Management system extended to lowest levels by 2011/2012</p> | <p>Implement PMS appraisal methods, reward systems, mechanisms to deal with deviations from standards</p> | <p>HODs, Unions and employees</p> | <p>Performance management system is currently applied to sec 57 and Assistant Managers.</p> | <p>Implemented performance management appraisals methods, rewards systems, mechanisms to deal with deviation from expected performance standards</p> | <p>Corporate Services Manager</p> | <ul style="list-style-type: none"> ➤ Performance Management has been cascaded down to some employees below assistant managers. ➤ Work-plans had been developed and are in place. ➤ Workshops conducted through information sharing sessions; ➤ Section 57 managers | <p>Achieved</p> |

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| | | | | | | | | | <p>were assessed for the Dec 2011 report – [mid-term report].</p> <ul style="list-style-type: none"> ➤ Some assistant managers were assessed for the mid-term reports and others were not done due to unavailability of the panellists. ➤ PMS training conducted for Managers, Assistant & Middle Management on the 21-25 and on the 28-30th May 2012. ➤ A session with assistant managers reporting on the 2010/2011 performance outcomes was done with the intention to improve 2011/2012 PMS | |
| | | Assessment Report on the | Staff Satisfaction | Conduct and Employee | Participation in survey | No understanding | Employment | Corporate Services | <ul style="list-style-type: none"> ➤ ESS Report in place. | Achieved |

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| | | Employee Satisfaction Survey conducted | Survey conducted by 2011/2012 | satisfaction survey | | ng of employee satisfaction | satisfaction survey complete | Manager | <ul style="list-style-type: none"> ➤ The report has been submitted to both the standing committee and the LLF. ➤ Implementation of the ESS has been effected in that: <ul style="list-style-type: none"> ✓ Job descriptions for positions in the organisational structure have been developed; ✓ Job evaluation has been conducted and almost all positions graded; ✓ Job evaluation outcomes report has presented to management, LLF and the standing committee; ✓ Implementation of the Wage Curve Collective Agreement has been | |
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| | | | | | | | | | | <p>done.</p> <ul style="list-style-type: none"> ✓ 4 Supervisors trained resulting from the compiled Employee Satisfaction Index extracted from Employee Satisfaction Survey conducted. ➤ Outstanding positions have been evaluated after following due tendering process; ➤ SALGA had been invited to advise on the implementation of the Wage Curve Collective agreement; ➤ Deloitte appointed to evaluate job descriptions for those positions that were never evaluated before; ➤ 101 posts were evaluated |
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| | | | | | | | | | <ul style="list-style-type: none"> ➤ Wage curve collective agreement implemented ➤ After the establishment of the organisational structure for the SCM Unit, job descriptions were developed and the posts were duly evaluated | |
| | | Number of LLF meetings conducted as per Council calendar | Improved Industrial Relationships within the working environment | Improve work place relations, Conduct LLF meetings and partnership between unions and management | Agenda items from all the parties. | LLF not fully functional. | Improved industrial relationship within the working environment. | Corporate Services Manager | <ul style="list-style-type: none"> ➤ LLF is scheduled to meet monthly and it has been convening; ➤ Eight (8) Local Labour Forum members underwent training on 17-19 Jan 2012; ➤ In March 2012, SALGA was invited to present a paper on the implementation of the Wage Curve Collective Agreement. | Achieved |
| | | Information disseminated to all | Effective and Efficient ICT Systems in | Implement the master Systems Plan | Available Master Systems Plan. | Master Systems Plan about | Effective and efficient ICT | Corporate Services Manager | <ul style="list-style-type: none"> ➤ On 13 July 2011, a draft MSP document | Not achieved. The MSP will only be |

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| | | <p>employees and members of the public through internet, intranet and email. Audited maintained IT equipment and ensure software compliance.</p> | <p>place by 2011/2012</p> | | | <p>to be finalized. It is at tender stage.</p> | <p>Systems in place. Prioritise and implement the Master Systems Plan</p> | | <p>was received.</p> <ul style="list-style-type: none"> ➤ On 11-12 August 2011, a draft MSP document was presented to the management team. ➤ Outstanding issues to finalise the draft were highlighted. ➤ On 22nd November 2011, a Close Out Report was presented on the MSP; ➤ The final MSP has been submitted to the standing committee on 19th December 2011 and subsequently submitted to council for approval. ➤ Relocation is linked to the registry and can only happen in August 2012 because of the renovations | <p>implemented when renovations to the municipal buildings have been completed and the relocation of ICT Office will then be done.</p> |
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| | | | | | | | | | <p>still pending.</p> <ul style="list-style-type: none"> ➤ In the interim, an ICT Systems Administrator has been appointed; ➤ Budget of about R1900 000.00 for the MSP implementation has been allocated during the municipal budget adjustment process; ➤ In as much as ICT office will be relocated after August 2012, the need to identify those issues that can be implemented out of the strategy has been realised; ➤ To this end, the following processes have been embarked upon: viz: <ul style="list-style-type: none"> ✓ Management convened to resolve that | |
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| | | | | | | | | | <p>the then internal auditors should submit a quote for the development of business case and implementation plan for the MSP and such quotation was submitted in April 2012;</p> <p>✓ A request for deviation had to be submitted to the municipal manager but later redirected to the Bid Adjudication committee. The report was submitted to the committee during April 2012;</p> <p>✓ The committee could not adjudicate on the matter until finance department indicated to be working on the specifications of the bid for</p> | |
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| | | | | | | | | | <p>the said development of the business case.</p> <p>✓ Only in May 2012 when the matter was referred back for the corporate services to prepare bid specifications to advertise the development of the business case and implementation plan.</p> <p>✓ Bid specifications for the appointment of a service provider to formulate an MSP Implementation Plan (plan) and the costing thereof, has been prepared;</p> <p>✓ A tender based on the above specification has been issued and has closed.</p> | |
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| | | | | | | | | | ✓ The bid will be evaluated in the first quarter of the 2012/2013 financial year and a service provider will soon thereafter be appointed | |
| Population decline due to migration and high mortality rate; | Business retention and attraction; | Integrated Transport Plan | Approved Local Integrated Transport Plan by March 2012 | Prepare Local Integrated transport Plan | Input from Dot and the district. Secured budget inputs | There is a district ITP and no local ITP | Council approved Integrated Transport Plan by end June 2012 | Manager: Infrastructure Planning & Development | Professional Services Provider appointed on 13 June 2012. Implementation of the project is subject to availability of funds during the budget adjustments | Not achieved |
| People moving closer to towns and transport routes; | Upliftment of local contractors and SMME's; | | | | | | | | | |
| Uncontrolled Settlement sprawl; | | | | | | | | | | |
| Competition for scarce land and resources; | | Integrated Waste Management Plan | Draft IWMP | Prepare Local Integrated Waste Management Plan | Budget | There is a district IWMP and no local IWMP | Given input towards the prepared of the Local Integrated Waste | Manager: Infrastructure Planning & Development | No input was sought and none was provided. No working arrangement/SLA has been | Not achieved |

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| Poor road access and transport services; | | | approval of IWMP by March 2012 | | | | Management Plan championed by Community Services | | concluded. | |
| Climate change causing storms, flooding, damage to assets and livelihoods; | | | implementation of IWMP action plan | | | | | | | |
| Inadequate bulk infrastructure to sustain growth | | Roads and storm water master plan by December 2011 | Approval RSMP by March 2012 | Prepared Roads and Storm Water Master Plan | Budget | There is no RSMP | Council approved Integrated Roads and Storm water Plan by end June 2012 | Manager: Infrastructure Planning & Development | Professional Services Provider appointed on 13 June 2012. Professional services provider commenced with its services | Not achieved. Aurecon (PTY) Ltd was appointed and commenced with the project on 27 August 2012. The project is progressing well and project reports submitted. Project is due for completion on 29 March 2013 |
| Widespread poverty, unemployment and inadequate social support systems; | | | | | | | | | | |
| Difficult for Local Contractors and SMME's to enter the market and obtain work; | | | | | | | | | | |
| Opportunities for agriculture and forestry but beneficial | | Costed maintenance plan linked to asset register | Draft departmental maintenance plan | Prepare Plan | Input and Budget | There is no council approved maintenance plan | Developed and costed maintenance plan | Manager: Infrastructure Planning & Development | Supplied coordinates of assets and photos for built. Provided | Achieved |

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| community involvement is complex and limited; | | | | | | e plan. There are electricity maintenance schedules in place for Maclear. | linked to asset register | | with documents required including payment certificates and BOQs | |
| Economic sustainability is dependent on business investment retention and expansion. | | | Approved plan | Approve Plan | | | | | | |
| | | | Implementation of the maintenance plan | Implement Plan | | | | | | |
| | | Public facilities master plan | Draft PFMP | Prepare PFMP Plan | Input and Budget | Currently public facilities are part of the three year infrastructure plan. There is no master plan. | Fully functional PFMP by end June 2012 | Manager: Infrastructure Planning & Development | Set target not met due to unavailability of funds to implement the project. Terms of reference were developed. Function was then budgeted for and moved to the Community Services Department | Not achieved. Project was in 2012/2013 financial year a responsibility of the Community Services Department |
| | | | Approved plan | Approve Plan | | | | | | |

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| | | | Develop a three year capital public facilities plan | Implement plan | | | | | | |
| | | Contributed input in the review of the Spatial Development Framework | To give input in the review of the SDF by the end December 2011 | Gather and submit input towards the review of the SDF incorporate Environmental management, ABP, revised PSDP principles and adjusted LUMS. | Draft PSDP, Environmental inputs and ABP, Land Reform input | The current SDF inadequate in terms of current policy frameworks , rural development and trends. | Provided support in the development of the Spatial Development Framework to LED and Strategy | Manager: Infrastructure Planning & Development | No input was sought and none was provided. | Not achieved |
| | | Access to clean water from 54% to 60% | To facilitate entrenchment and integration of Water Services to the ELM organogram | Integrate Water Services into ELM organogram; Populate organogram; Develop and implement a water services strategy for ELM for the Year 2011-2012 | ELM to takeover of WSP functions | Water services are currently managed by two institutions | Maintained water and sewerage reticulation | Manager: Infrastructure Planning & Development | Achieved. Maintenance has been successfully carried out on all water leaks, faulty meters, burst pipes etc. | Not achieved |
| | | Construction of 100km of district & access roads by 2014 | SLA between ELM and DRPW | Finalised SLA | Roads assessment, input, budget, complimentary plant and personnel | ± 400km of district and access road assessed. Continuous engagement | Concluded Service Level Agreement with the DoR and PW | Manager: Infrastructure Planning & Development | Delays encountered in concluding the SLA. SLA signed by Elundini Municipality and submitted to DRPW | Not achieved. SLA commenced with the Inception Meeting held |

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| | | | | | | s with DRPW. ELM acquired constructio n plant and machinery | | | on 06 June 2012. Now awaiting the signing of the contract by DRPW to commence with implementation | on 20 August 2012. Project is now being implemented. |
| | | | | | | There is currently no structured way for maintenanc e of roads and storm water. There is a draft policy in place. | 100km implementa tion by June 2012. | Manager: Infrastructure Planning & Development | A total of 151.9km was bladed by end June 2012 as per the maintenance schedule. | Achieved |
| | | Construction of pedestrian bridges | Construction of 6 pedestrian bridges by 2014 | Identify priority crossings, secure funding, design and construct. | Budget. names and places where pedestrian bridges are required | There are few pedestrian crossing in the entire municipal area | Constructio n of 6 pedestrian bridges by 2014 | Manager: Infrastructure Planning & Development | The six bridges were prioritised on 23 January 2012. All MIG 1 applications were completed on 7 February 2012. 4 bridges have since been approved. On approval, they will be submitted to the prioritisation committee for inclusion in the three year plan. | Not achieved. The six bridges were prioritised on 23 January 2012. All MIG 1 applications were completed on 7 February 2012. 4 bridges have since been approved. On approval, they will be submitted to the prioritisation committee for inclusion in the three year plan. |
| | | Maintenance of bridges, storm water side | Maintained bridges, side drains and pipe culverts | Utilise the MJCP for routine bridge maintenance. | Budget | There is no maintenanc e of bridges. | Selected Bridges and storm water drainage | Manager: Infrastructure Planning & Development | Information as per the EPWP terms and conditions and information as at 13 | Achieved |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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| | | drains/pipe culverts | | Supply material and tools. | | | facilities maintained in all wards (gabions, debris, other minor works) | | June 2012. Seventy seven (77) Full Time Equivalents Target (FTEs) achieved compared to the forty nine (49) FTE target. One hundred and sixty five (165) Work Opportunities (W.O) achieved compared to the fifty (50) W.O target. Maintenance of storm water drainage systems, beautification of town and maintenance of roads continuously done. | |
| | | Co-ordinated roads and storm water programme | Functional roads and storm water forum | Identify stakeholders by March 2011. arrange meeting to sit quarterly from June 2011 | Input | Dysfunctional forum | Meetings held quarterly | Manager: Infrastructure Planning & Development | Meetings held on December 2011, February 2012 and May 2012 | Not Achieved. The municipality only facilitates by arranging the venue of the meeting and the Dept. of Roads and Transport coordinates the seating of the meetings. |
| | | Solid waste Management compliance | Solid waste management compliance with the permit | Appointment of private partner by June 2011, monitoring of permit | Procurement and budget | There is minimal compliance to the permit | Appointment of private partner by January 2011. | Manager: Infrastructure Planning & Development | The procurement of a Private Partner has been done through the SCM unit. The tender | Not achieved. The procurement of a Private Partner has |

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| | | | conditions for all three landfill sites by end 2012 | conditions | | conditions | Continuous monitoring of permit conditions. Checklist developed by WMO. | | was advertised on 22/08/2011; on 01/11/2011 a letter was sent to the NT informing them about the process to be followed; the Evaluation Committee set on the following dates: 14/10/2011, 25/10/2011, 03/11/2011, 08/11/2011, 25/11/2011; on 04/11/2011 an RFQ advert was placed on the municipal noticeboard on 18/11/2011 a Solid Waste specialist was appointed to help in the evaluation of the functionality of the tender; on 05/12/2011 the service provider submitted the functionality report; on 15/11/2011 bidder with outstanding documents were requested to submit the outstanding documents; the Evaluation Committee then set | been done through the SCM unit. The tender was advertised on 22/08/2011; on 01/11/2011 a letter was sent to the NT informing them about the process to be followed; the Evaluation Committee set on the following dates: 14/10/2011, 25/10/2011, 03/11/2011, 08/11/2011, 25/11/2011; on 04/11/2011 an RFQ advert was placed on the municipal noticeboard on 18/11/2011 a Solid Waste specialist was appointed to help in the evaluation of the functionality of the tender; on 05/12/2011 the service provider submitted the functionality |
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| | | | | | | | | | <p>on 06 , 07 & 08/12/2011; on 25/01/2012 a team from NT set for the Financial Evaluation; 28/02/2012 evaluation committee the finalised the Financial Evaluation; 01/03/2012 the Adjudication Committee set for recommendations</p> <p>report; on 15/11/2011 bidder with outstanding documents were requested to submit the outstanding documents; the Evaluation Committee then set on 06 , 07 & 08/12/2011; on 25/01/2012 a team from NT set for the Financial Evaluation; 28/02/2012 evaluation committee the finalised the Financial Evaluation; 01/03/2012 the Adjudication Committee set for recommendations</p> <p>This item has been relocated and placed under the Community services department.</p> | |
| | | | | | | | Quarterly maintenance of Maclear | | <p>This item has been relocated and placed under the</p> | Not achieved |

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| | | | | | | | and Mount Fletcher landfill sites | | Community services department. | |
| | | Full access to electricity in the service area | Electricity connections to 150 remaining houses by 2014 | Apply for funding from DoE | Funding | There are about 150 houses without electricity in Greenfields, Maclear | Submit to Dept. of Energy a funding application by August 2011; House connections completed by June 2012 | Manager: Infrastructure Planning & Development | Funding approved by DoE of R1,000,000.00. Set target not met due delay in procurement of contractor. Contractor was appointed on 29 June 2012 | Not achieved No reference made to housing connections being completed by June 2012 |
| | | Street lights and high mast lights | All street lights and high mast lights operating by 2014 | Continuous maintenance of street lights | Procurement of materials, budget, appointment of the third electrician. | Inadequate maintenance of street lights | All street lights continuously maintained by June 2012 | Manager: Infrastructure Planning & Development | Street lights are continuously repaired. The cherry picker was delivered in August 2011 to help in the maintenance programme. Inspections were done on 29 - 31 May 2012 at Maclear and Mt Fletcher. Maintenance was done from 11 - 29 June 2012 at Maclear, Mt Fletcher and Ugie. | Achieved |
| | | Electricity losses reduced | Reduction of electricity losses from 34% to 10% by 2014 | Establish Revenue Protection Unit, monitoring of electricity connections | Establishment and appointment of Revenue protection unit and its employees | There is no dedicated staff to work on monitoring of electricity connections | Losses reduced from 35% to 27% (maintained) | Manager: Infrastructure Planning & Development | Electricity losses have been reduced from 33.08% to 31.11% | Not achieved. Implementation of losses strategy is on-going process. Several intervention |

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| | | | | | | | | | | that include meter auditing, replacement and relocation are being implemented. Load profiles have indicate that 16% of losses are due to network overloading. |
| | | Adequate office space | To have adequate municipal office space by end 2013 | phased construction of municipal offices | Budget, procurement | There is an approved design report for municipal offices. | Implement Phase 2 of the offices. | Manager: Infrastructure Planning & Development | Monthly reports were submitted. The site handover was held on 10 April 2012. Contractor progressing well | Achieved |
| | | Established special purpose vehicle | An operational Special Purpose Vehicle business plan by end 2011 | Submit business plan to the relevant department | Input, funding | There are no registered professional s within the Technical Services Department | Submitted business plan by Dec 2011 | Manager: Infrastructure Planning & Development | The view is that this item should be reviewed and taken out. | Not achieved |
| Human Settlement | | Elimination of Housing Project Backlogs | Successful implementation of all housing projects by 2014 | Facilitate implementation of housing projects | Budget; Project Management | Housing projects are outstanding for many years | Implement Housing Projects per Housing Sector Plan | Community Services Manager | Three Rural Housing Projects have been approved. Testing of soil sampling for Rural Housing Projects for Ngcele, Katkop and Mangoloaneng is underway. Challenges have been experienced in Maclear. The Regional Housing Officer has been | Not Achieved. As per the HSP, three Rural Housing Projects have been approved. Testing of soil sampling for Rural Housing Projects for Ngcele, Katkop and Mangoloaneng is underway. |

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| | | | | | | | | | consistently updating the municipality on the progress of the Housing Projects currently underway. | Challenges have been experienced in Maclear. The Regional Housing Officer has been consistently updating the municipality on the progress of the Housing Projects currently underway. Further progress has been achieved through contracting of Bigen Africa consultants for scoping and feasibility studies for all housing projects approved by Human Settlements |
| | Collated, facilitated and updated Human Settlement beneficiary list | Well managed and up-to-date Human Settlement beneficiary list | Satisfied beneficiaries as reflected in the Customer Satisfaction Survey | Actively manage the beneficiary list in conjunction with Infrastructure Planning and Development | Budget; Project Management | TBA | Split responsibility from Project Management housed in the Infrastructure Planning and | Community Services Manager | The Housing beneficiary list is currently being managed by the Community Services Department. All housing projects have beneficiary lists. | Achieved |

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| | | | | | | | Development Department | | | |
| Development, implementation and maintenance of systems leading to conservation of the environment and environmental degradation | Developed Integrated Waste Management Plan in conjunction with JGDM | Documented and implemented Integrated Waste Management Plan | Well maintained and functional waste management within ELM | Consolidated existing Waste Management Plans into one IWMP | Community Services to contribute to the Infrastructure driven IWMP | Currently utilising the JGDM IWMP | A documented IWMP approved by Council and implemented | Community Services Manager | The target was not achieved due to budgetary constraints. ELM has entered into a PPP underwritten by National Treasury. The measure is a waste recycling venture wherein a ten-year contract will be concluded. The PPP is a response to Council's desire to improve the management of the municipality's solid waste sites and is in line with the existing District's IWMP | Not achieved. Since the Adjustment Budget for 2012/2013 appears likely to be loaded, it will not be possible to integrate the item into it. The Department intends incorporating the matter into the budget processes for the 2013/2014 financial year. |
| | Supported Waste Recycle Initiatives | Identified and successfully supported Waste Recycle Initiatives | Maintained log-book of operational Recycle initiatives within ELM | Recycled all recyclable waste | Promotion of public awareness; compilation of database of recyclers; Training of street sweepers on recycling. | Have a recycling machine; No specific support mechanism or data on recycling initiatives; | Identified Waste Recycle Initiatives and implemented support plan with clear delivery targets | Community Services Manager | Recycling Initiatives are currently not well coordinated as operators are working in pockets relying on recyclers from East London. The municipality is in the process rounding them up to harness a coordinated approach to waste recycling. The initiative will be | Not achieved. Since the commencement of the PPP will be subsequent to the public participation period culminating in the end of March, awareness for prospective co-operatives will be achieved |

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| | | | | | | | | | linked to the broader recycling PPP involving the preferred bidder the municipality has entered into a ten year contract with. | during the interaction. The municipality will then be able to compile a database of participating and interested co-ops. |
| Development, implementation and maintenance of systems leading to a clean environment and improved health within ELM community | Clean Streets and public areas in Maclear, Ugie and Mt Fletcher | Adhered to cleansing programme and Schedule | Maintained clean streets and public areas in Maclear, Ugie and Mt Fletcher | Regular cleaning of streets and public areas in private and business areas for Maclear, Ugie and Mt Fletcher | Infrastructure Planning and Development to assist with the management of the land-fill site | Street cleaning and waste disposal on-going | All streets swept according to approved schedule in Maclear, Ugie and Mt Fletcher | Community Services Manager | Street cleaning is on-going in all three towns. ELM has entered into a partnership with Umngcunube Development as a local facilitating agent with a view to realising the municipality's vision of cleaning and greening its towns. The municipality is on the verge of concluding a SLA with DRPW in pursuance of a town revitalisation programme. | Achieved |
| Development, implementation and maintenance of systems leading to improved response to fire emergencies and other | Developed plan to guide fire and emergency services at ELM. | Documented and implemented fire and emergency guiding plan | Guided fire and emergency disasters | Drafted Guiding plan for fire and other emergencies; implementation of Council-approved plan | Delivery partners to play their assigned roles | No plan in place | Fire and Emergency Services Plan in place and efficiently implemented | Community Services Manager | In a month's time ELM will be a member of the Fire Services Association. The municipality is awaiting the delivery of a fire engine from JGDM. JGDM will deliver a fire engine | Not achieved. The Department is still engaging with the fire and disaster section for the meeting of the requirement. |

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| disasters | | | | | | | | | subsequent to the MM signing an SLA. A Fire and Disaster Officer has been recruited into the staff compliment. | |
| | Established Disaster Satellite Centres at ELM | Identified areas where Disaster Satellite Centres are to be established | Fully operational Disaster Satellite Centres | Identification of disaster-prone areas; Developed and disseminated emergency procedure; Establish and train Emergency Response Teams | Delivery partners to play their assigned roles | Only one Satellite Centre in Mt Fletcher but with no established functioning systems | Disaster Satellite Centres established and fully operational | Community Services Manager | There is a response van in Mt. Fletcher although it is not adequate for the tasks expected of it. Maclear is awaiting the delivery of a fire engine by the JGDM. The Community Services Department is intends to encourage communities to join the FSA. | Not achieved. A van from the Traffic Department has been demarcated for response to fire. A tank has also been loaded, deeming the vehicle a response van to cover the Ugie and Maclear area. |
| Development, implementation and maintenance of systems leading to improved management and identified of land for cemeteries | Maintained, fenced and cleaned cemeteries; Identified land for expansion of existing cemeteries. | Cemeteries maintained in line with providing By-Laws | Well managed and maintained cemeteries to the satisfaction of the community | Established status quo regarding By Laws, current state of burying practices, development and implementation of an improvement plan | Delivery partners to play their assigned roles | No available land in Maclear; By-Laws and Procedure Manual in place; By-Laws not observed by the communities | Fully operational Cemeteries Maintenance Plan and Systems that comply with By-Laws | Community Services Manager | Only Mt. Fletcher cemetery is fenced and conforms to standards. A budget is available for the fencing of Ugie and Maclear cemeteries hence the municipality was unable to enforce compliance of by-laws. | Not achieved. The Ugie cemetery is due for relocation although we are experiencing access challenges due to the deplorable state of the road to it. Community Services and Infrastructure, Planning and Development are engaging around the |

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| <p>Development, implementation and maintenance of systems leading to proper management and maintenance of pounds</p> | <p>Maintained and fenced pounds; Impounded animals cared for in accordance with By-Laws and Regulations that govern non-cruelty to animals (SPCA)</p> | <p>Operated fully compliant Pound</p> | <p>Fully operational Pounds - maintained in accordance with the providing Regulatory Framework</p> | | <p>TBA</p> | <p>By-Laws and procedure manual in place; Pounds not fully compliant; Community still keeps animals in areas where they are prohibited; trained staff but not fully functional</p> | <p>Fully operational Pounds' Management and Maintenance Plan</p> | <p>Community Services Manager</p> | <p>The relocation of the Maclear pound is nearing completion. The Ugie pound has not been relocated as yet. Processes are underway towards securing a service provider to refurbish the Mt. Fletcher pound. The Pound Maintenance Plan will only be developed and implemented after all the pounds are up to the required standards and after they have been certified by SPCA.</p> | <p>issue. Not achieved. Submissions for the Pound Management and Maintenance Plan will be forwarded during the certification application period. The plan will be forwarded to Council for adoption after SPCA has licenced the pounds.</p> |
| <p>Facilitated Special Programmes run by various Departments within ELM</p> | <p>Facilitated Health Programmes in conjunction with the Dept. of Health</p> | <p>Documented evidence as proof of facilitated meetings with the DoH</p> | <p>Monitored and reported progress on the implementation of the programme</p> | <p>Convened Meetings; Raised ELM issues; and Provided feedback to ELM on the Programme progress</p> | <p>OPEX</p> | <p>Facilitation haphazard</p> | <p>MoA and smoothly facilitated Programme Rollout</p> | <p>Community Services Manager</p> | <p>The institution has not yet managed to facilitate direct bilateral relations with DoH. Interactions are secured through the joint sitting of the Local Reference Committee of the Community Works Programme comprising the Municipality and the Departments of Education; Social Development; Agriculture and</p> | <p>Not achieved. The Department of Health has been invited to an oncoming Reference Committee Meeting scheduled for 30 January 2013. It is only after we have failed to secure their attendance that we will be in a position to</p> |

ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

| | | | | | | | | | Health. | employ other measures. |
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| | Facilitated Education Programmes in conjunction with DoE | Documented evidence as proof of facilitated meetings with the DoE | Monitored and reported progress on the implementation of the programme | Convened Meetings; Raised ELM issues; and Provided feedback to ELM on the Programme progress | OPEX | Facilitation haphazard | MoA and smoothly facilitated Programme Rollout | Community Services Manager | Interactions are secured through the joint sitting of the Local Reference Committee of the Community Works Programme comprising the Municipality and the Departments of Education; Social Development; Agriculture and Health. Our joint management of the Careers Exhibition was a practical initial step towards a meaningful partnership. The municipality holds regular meetings with the Departments. | Achieved |
| | Facilitated Department of Social Development Projects | Documented evidence as proof of facilitated meetings with the DSRAC | Monitored and reported progress on the implementation of the programme | Convened Meetings; Raised ELM issues; and Provided feedback to ELM on the Programme progress | OPEX | Facilitation haphazard | MoA and smoothly facilitated Programme Rollout | Community Services Manager | The Community Services Manager sits in quarterly meetings between DSRAC and other local municipalities within JGDM. | Achieved |
| | Victim Empowerment Projects | Documented evidence as proof of facilitated meetings with | Monitored and reported progress on the implementation | Convened Meetings; Raised ELM issues; and Provided | OPEX | Facilitation haphazard | MoA and smoothly facilitated Programme Rollout | Community Services Manager | Social Development is part of the Local Reference Committee for the CWP. The | Achieved |

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| | | the SAPS & Dept. Social Dev. | on of the programme | feedback to ELM on the Programme progress | | | | | municipality also participates in the Community Safety Forum through the Community Services Portfolio Head who is also its Chairperson. | |
| | Crime Prevention Projects | Documented evidence as proof of facilitated meetings with the SAPS & Dept. Social Dev. | Monitored and reported progress on the implementation of the programme | Convened Meetings; Raised ELM issues; and Provided feedback to ELM on the Programme progress | OPEX | Facilitation haphazard | MoA and smoothly facilitated Programme Rollout | Community Services Manager | Social Development is part of the Local Reference Committee for the CWP. The municipality also participates in the Community Safety Forum through the Community Services Portfolio Head who is also its Chairperson. | Achieved |
| Public Safety and Traffic | A strategy-driven Public and Safety service for ELM | Developed and implemented effective Traffic and Law Enforcement Strategy that meets the needs of the municipality | Convene a strategic session and produce a documented Strategic Plan | Identify affected stakeholders; Consolidated input; Originated, approved and implemented strategy. | TBA | No Strategy in place | Documented Traffic and Law Enforcement Strategy that meets the needs of ELM | Community Services Manager | The strategy has not yet been developed. Posts for Law Enforcement Officers have been advertised. Processes towards short-listing and interviews are underway. | Not achieved. The strategy will be finalised after the appointment Law Enforcement Officers. |
| | | Developed, maintained and updated data systems that ensures that Traffic data is accurate and | Improved decision-making based on accurate data | Create a database; Capture information; Draw reports on which to base decisions | TBA | No database in place | Fully functional database that is able to generate reports that assist ELM to make | Community Services Manager | Traffic information in the institution's NATIS system is updated regularly and is linked to the provincial NATIS system. | Achieved |

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| | | has integrity | | | | | decisions | | | |
| | | Planned community communication to increase community compliance with Traffic Regulations | Conduct planned Information Dissemination workshops | Developed and implemented Communication Plan | TBA | No communication Strategy in place | Communicated Traffic Regulations to the Community | Community Services Manager | The section's potential for conducting awareness campaigns is constrained by budgetary challenges and by the shortage of Law Enforcement Officer. | Not achieved. The Municipal Traffic Dept. is in the process of developing an itinerary to carry out the objective. |
| | | Number of Road Signs and markings attended to | Visibly signaged roads | Developed and executed programme of action for road-marking | TBA | No coherent strategy to road marking | Fully marked and signage roads | Community Services Manager | There are conspicuous road signs in a number of national and provincial roads within the jurisdiction of Elundini Municipality. | Achieved |
| Sports, Parks and Public Amenities | Maintained, fenced, cleaned and refurbished Parks and Public Amenities to the satisfaction of the Community | Fully functional Parks, Sports and Public Amenities | Identify existing ELM amenities; Establish state of repair of each amenity; Develop a maintenance or refurbishment schedule; Implement the schedule for 2011-2012 | Conducted status quo investigation; Crafted schedule for repair or refurbishment; Executed repair schedule | TBA | Some dilapidated structures and amenities which may need refurbishment | Identified and refurbished public amenities | Community Services Manager | All public amenities needing refurbishment have been identified and the municipality has developed ToRs for the development of the Public Amenities Master Plan and is busy developing specification for the tender advert for the development of the Master Plan | Not achieved. ToRs and the bid specifications for the tender advert for the development of the Public Amenities Master Plan have been developed and advertised. The appointment of the service provider to develop the master plan was stalled at the |

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| | | | | | | | | | | bid evaluation level due to the fact that only one bidder tender who was also not relevant for the bid. The bid will be re-advertised on the national newspapers to attract competent bidders. |
| <p>Widespread poverty, unemployment and inadequate social support systems;</p> <p>Difficult for Local Contractors and SMME's to enter the market and obtain work;</p> <p>Opportunities for agriculture and forestry but beneficial community involvement is complex and limited;</p> | Community afforestation projects | Reviewed and updated Local Economic Development Strategy | To have a reviewed LED Strategy by end 2012 | Inclusion of all critical Economic Development areas of ELM into the Local Economic Development Strategy | Input and comment | The current LED strategy was formulated in 2008 and the economy is dynamic resulting in the need for a review. | Draft LED Strategy Review | Manager: Strategic and Economic Planning | The final close out report of the reviewed LED Strategy was presented on 14/03/2012 and the draft LED Strategy awaits Council approval. | Achieved |
| | Business retention and attraction | | | | | | | | | |
| | Upliftment of local contractors and SMME's | Additional Number of Wards implementing CWP | Job creation through the Massive job creation strategy and the Community Work Programme in at least two more wards each year. | Mobilise Resources , ESTABLISH PARTNERSHIPS WITH RELEVANT GOVERNMENT DPARTMENTS(N ational and Provincials) NGO, and Private Sector to meet target | Contribute to the identification and creation of CWP Job opportunities in at least two wards through the single window of co-ordination. | Four CWP pilot projects in four Wards(1, 5,6 and 7) | Finalised municipal plan to ensure roll-out in at least two wards | Manager: Strategic and Economic Planning | The CWP is being implemented in Wards 1; 5; 6 and 7. The Mass Job Creation Programme is implemented in all the 17 Wards | Achieved |
| | | No of jobs | Creation of | Facilitate the | Support the | Current | Prepared | Manager: | ➤ On the 23rd | Achieved |

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| <p>Economic sustainability is dependent on business investment retention and expansion.</p> <p>Implementing Greening and beautification of local environments Revitalization of urban areas to attract investment</p> | | <p>created through co-operatives</p> | <p>functional ward co-operatives to support job creation</p> | <p>mobilisation of resources to support co-operatives. Facilitate skills development for co-operatives. Support job creation through functional co-operatives</p> | <p>establishment of co-operatives</p> | <p>program is linked to Co-operatives</p> | <p>plan to ensure that ward based co-operatives are supported</p> | <p>Strategic and Economic Planning</p> | <p>May 2012, training for Cooperatives was conducted by SEDA and SARS assisting cooperatives on how to do Tax Returns and why it was important for them to submit returns.</p> <ul style="list-style-type: none"> ➤ SEDA training was based on financial and non-financial services that they provide for cooperatives ➤ Three business plans were submitted for funding to DEDEA and National Arts Council of South Africa and still awaiting for approval ➤ Two Accommodation establishments from the Elundini Hospitality | |
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| | | | | | | | | | Cooperatives were assisted in terms of application for grading to Tourism Grading Council of South Africa and still awaiting for the assessor for verification | |
| | No of capacitated contactors and SMME | Increased number of capacitated contractors and SMMEs by end 2012 | Mobilise resources, strengthen existing partnerships with Parastatals and Gov. Departs , JGDM, and establish new ones with NGO'S and other provincial Gov. departs to meet targets of upliftment of local contractors and SMME | Support the training and establishment of organised contractors and SME structures. | Existing organised structure on local contractors and SME | Review a plan to capacitate Local contractors and SME | Manager: Strategic and Economic Planning | <ul style="list-style-type: none"> ➤ On the 23rd May 2012, training for Cooperatives was conducted by SEDA and SARS assisting cooperatives on how to do Tax Returns and why it was important for them to submit returns. ➤ SEDA training was based on financial and non-financial services that they provide for cooperatives ➤ 57 SMEs were assisted with the application of poor | Achieved | |

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| | | | | | | | | | resource farmers water subsidy and they are still awaiting for the approval by Department of Water Affairs (DWA) | |
| | | No of localities engaged in community afforestation | Increase the number of localities engaged in community afforestation | Mobilise resources and strengthen partnerships with Parastatals, SETA, JGDM and government Departs to meet the targets identified for community afforestation | Support community afforestation program | Community Forestation study, Forestry plan Identifying afforestation potential and Strategic Environmental Analysis | funding permitting, procure service provider to facilitate implementation | Manager: Strategic and Economic Planning | Esixhotyeni Afforestation is in phase 4 of Environmental Impact Assessment survey. After the community consultation phase, 430 ha were identified in three of the administrative areas of the Esixhotyeni A/A. An additional 550 ha were identified at the Ntywenka A/A, but the community would first want to see benefits from the existing DAFF plantation before making any further commitments to forestry development. A detailed soil survey was conducted on both the 430 ha and the 550 ha from which detailed | Not Achieved. The service provider was appointed to conduct the Environmental Impact Assessment. What is also outstanding is the water use license from the Dept. of Water Affairs so as to approve the planting of trees. The planting of trees will only commence once the EIA has been completed and licence issued. Funding for the project will come from the Government Jobs Fund. What should also be note is |

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| | | | | | | | | | <p>plantations maps were produced. The communities have elected a Forestry Task Team at their general meetings with whom further progress and project details will be discussed. The Forestry Task Team has submitted an afforestation license application with DWA and is now awaiting a planting permit. As part of the licensing process, an EIA is currently underway. The Task Team was informed that this study can take up to 8 months to complete and has commenced around June 2012. In the meantime ECRDA is doing its best to source funding for the project. It is anticipated that the project will be able to commence late this year or early next year. In Bethania Afforestation Environmental Impact Assessment</p> | <p>that the municipality only plays a facilitation role and the departments of Land Affairs; Forestry and Water Affairs are key in the programme</p> |
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ELUNDINI MUNICIPALITY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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| | | | | | | | | | has been conducted and findings were negative due to climatic conditions. They are still awaiting for other alternative land that will be identified by the community | |
| | | No of Businesses attracted to invest in Elundini | Increased number of business attracted to invest in Elundini | "Develop attraction, expansion and retention strategy plan Coordinate research on alternative resource utilization. Establish twinning partnerships to market ELM nationally and internationally. | Contribute to the identification of potential Investors | Few investors attracted in the area | Co-ordinate business investment summit | Manager: Strategic and Economic Planning | The project was halted due to the non-availability of budget to proceed with the project and the target has since been deferred pending the availability of funds. | Not achieved. The project was halted due to the non-availability of budget to proceed with the project and the target has since been deferred pending the availability of funds |
| | | No of competent personnel recruited for LED capacity | To augment the capacity of LED for LED implementation | Populate organogram with its financial requirements submitted to the Municipal Manager | Contribute to realise vision and mission of the municipality | Inability to comply with law requirement and service delivery | Finalised organisational structure | Manager: Strategic and Economic Planning | A new organisational structure was adopted by Council which makes provision for the appointment and /or placement of personnel. The resignation of the LED Assistant Manager in February 2012 and the resignation | Achieved |

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| | | | | | | | | | Manager: Strategic Planning and Economic Development in April 2012 has compromised the smooth functioning of the LED Section | |
| | | Developed and maintained urban centres | Revitalisation of urban areas to attract investors | Facilitate the development of revitalisation plans Planning Stakeholder engagement | Coordinate development of revitalisation model | No consciously packaged infrastructure to attract economic development in small towns | Procure the services of a Landscape Architect | Manager: Strategic and Economic Planning | A service provider was procured to develop and beautify urban centres in Maclear, Mt Fletcher and Ugie during the month of June 2012 | Not achieved. A service provider was procured to develop and beautify urban centres in Maclear, Mt Fletcher and Ugie during the month of June 2012 |
| | | All new developments with parks greened wide street islands in towns | Greening and beautification of local environments through new development requirements | Develop a policy framework for greening environments. Layout plans to accommodate green belts | Assistance with funding and specialist input | Open space system developed in urban areas only. Planned Human Settlements lack greening | New layout plans to have greening as a condition for approval | Manager: Strategic and Economic Planning | A final draft report on the review of the SDF was submitted by the Service Provider (Umhlaba Consulting) on 06/06/2012. The reviewed SDF has also been submitted to DPLG for verification and alignment of provincial policies. The draft SDF awaits the Council approval. | Not achieved. The final SDF was subsequently serve to Council on 28 September 2012 |
| | | Supported Functional Institutional Structures for LED. | Developed and implemented support programme | Identification of support needs for and in consultation with the ELM | ELMCOB to submit needs and areas where support is needed; Budget | No formal support programme for the ELM Chamber | Supported and involved ELMCOB with ELM's | Manager: Strategic and Economic Planning | After extensive support given to ELM's SMMEs a performance assessment tool | Achieved |

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| | | | for the ELM Chamber of Business | Chamber of Business; Development of support plan for and in consultation with the ELM Chamber of Business | and Treasury to support with the funding the support programme | | LED and SMME development | | was developed to check the impact the support rendered is making. (1) SMMEs were notified to prepare themselves for assessment (2) Qualification criteria were set. (3) In -loco verification of business was conducted as per submitted information. (4) Action Plan to be followed was developed. (5) Adjudication panel set to come up with three award winners while indicating the areas needing improvement in their performance and those not successful, areas needing further support were identified and documented for the purpose of addressing. Three winners received their prizes at the grand finale that was hosted on April 13th at the Maclear Town Hall with a | |
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| | | | | | | | | | <p>theme "opportune time for business women to seize the moment". In partnership with this LED's SMME development programme (Gadal) SPU under the project Kairos Moment SPU targeted women business in Food preparation, Fashion, hair and beauty. They were to be inducted and trained by professionals in those areas of expertise in business management. Business agencies in Food, Fashion and Hair sector were approached to partners up with the municipality to ensure sustainability of the winners and make sure that finalists are promoted and supported.</p> | |
| Financial Viability detrimentally affected by increased bad | Address the shortage of critical skills Attainment of an unqualified | Unqualified audit opinion | Improved audit outcomes of municipality BY 2012/13 | Audit action plan | Audit functions | Qualified opinion | Unqualified opinion | CFO | Achieved an unqualified audit opinion; audit response plan to matters of | Achieved |

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| debts, water and electricity losses; Under spending of capital funding; Inadequate repair and maintenance of existing assets; Ineffective grant expenditure and financial management; Poor compliance with MFMA, GRAP, administration and management functions affects achievements and assessments | audit report Transversal contracts Clean management Reduction of Debts Capex spend Increasing the level of investment in repairs and maintenance Understanding our assets base | | | | | | | | emphasis and material matters as per the management letter (22 items) were developed and implemented-corrected; Internal audit has reported on the outcomes to Audit Committee validating that all matters have been resolved; similarly AG has undertaken planning audit and a Working paper file of all matters addressed have been presented and cleared. | |
| | Collection rate | Collection rate increased to 85% by 2014 | Implementation of debt reduction strategy | Participation and support | 40% | 60% | CFO | 2011/2012- total billed R 40 769 422.55; total cash collected R 38 943 174.78; 95.52% collection rate | Achieved | |
| | % projects spend | Underspending on CAPEX reduced and 100% achieved by 2011/12 | Development of Demand Management Plan and associated report to Council monthly | Active participation | 67% | 100% | CFO | Demand management plan developed and implemented-indicative figures Capex spent 76, 9%-E CDC project and rear end loader primary contributing factors to 23, 1% under spending; BTO | Achieved | |

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| | | | | | | | | | assisted the Community Services departments with the ToR for the procurement of Rear end loader and facilitated procurement; manufacturing time resulted in rollover | |
| | | % of total operating budget | Spending less than 6 % of OPEX on repairs and maintenance by 2012 | Development of maintenance schedule (routine preventative/backlog maintenance) link to Consolidated Asset Positioning | Active participation | 6,3% | 6% | CFO | Budget 7.2% of Opex budget R 10.3 Million | Achieved |
| | | No. of budget related policies related adopted | Improved administrative and Human Resource Management Practices by 2011/12 | Development of budget related policies in line with Circular 51 | Adoption of policies | 14 | 22 | CFO | All 22 budget related policies as per circular 51 have been developed and adopted, three additional policies have been developed- catering, fleet management and revised SCM policy(Major review undertaken in compliance with BBBEEE; Work shopped staff and SMME on new policy directives- all | Achieved |

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| | | | | | | | | | policies adopted as part of the draft budget and IDP | |
| | | No. of Finance Procedure Manuals adopted | 19 finance procedure manuals adopted by 2014 | Customisation of generic procedural manual framework | Supply of manuals | 1 | 6 | CFO | 6 Procedural manual for FMS fully adopted and implemented; updates to the policy are included under the MFMA Support Plan- in line with Systems reengineering being proposed/delegations framework | Achieved |
| | | Functional SCM Database and Procurement System | SCM Database and Procurement system by 2014 | Development and Implementation of SCM database plan | Implementation | 0 | 1 | CFO | Notice for all PSP, General and Contractors to register was placed in the media- a categorised Database as per the SCM regulations has been established; growth of the database is being continually expanded(New database registrations forms have been developed and SP work shopped on new regulations BBBEE | Achieved |
| | | Feasibility study of Financial Management System | Feasibility study of Financial Management System by | Feasibility study and report to Council | Reporting | 0 | 1 | CFO | Not implemented due to restrictions imposed through NT circular - 57 | Not achieved. NT issued restrictions through Circular 57 |

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| | | 2011/12 | | | | | | | |
| | Procurement of a functional Financial System | Procurement of a functional Financial System by 2011/12 | Formulation of outcomes report and sourcing of funding | Funding | 0 | 1 | CFO | Not implemented due to restrictions imposed through NT circular - 57 | Not achieved. NT issued restrictions through Circular 57 |
| | Improved ability to cover fixed monthly expenditure | Improved Municipal and Financial Viability by 2011/12 | Compilation of Section 71 reports | Compliance and reporting | 06:01 | 06:01 | CFO | Ratio 4.71:1 Available Cash R 41.020 Million/ fixed operating costs R 8.7 Million pm | Achieved |
| | Current ratio 2:1 | Maintain positive working capital ratio | Compilation of Section 71 reports | Compliance and reporting | 02:01 | 02:01 | CFO | Current Assets to Current Liabilities R 70 951 199 Million: R42 798 381 Million 1.66:1 | Achieved |
| | 100% receipt of gazetted allocations to ELM vs. actual | 100% receipt of gazetted DORA allocation in 2011/2012 | Quarterly reconciliation of DORA | Single window of liaison | 100% receipt of gazetted allocations to ELM vs. actual | 100% | CFO | Received 90.9 Million of allocated funding of R 90.9 million | Achieved |
| | All identified risks successfully mitigated | Implement an Anti-Corruption Strategy by 2011/12 | Risks mitigation action plan | Awareness and monitoring | Audit Response Plan/Internal Audit Report on matters addressed | All identified risks successfully mitigated | CFO | Risk register fully implemented, risk are all successfully mitigated; Strategy developed and staff workshop on fraud | Achieved |
| | No. of indigents registered | Provision of indigent support to 3200 qualifying households by 2011/12 | Launching indigent support campaign and registration drives | Community awareness | 3145 indigent households are receiving indigent support | 3200 indigent household being subsidised | CFO | 4570 Households being provided with Indigent Support | Achieved |
| | Number of households accessing free | Provision of free basic services to | Coordination of infrastructural roll out plan | Roll out of delivery | 6000 | 6395 | CFO | 7608 Households provided with Free Basic Water | Achieved |

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| | | basic water | 6395 households by 2011/12 | with BTO | | | | | Monthly | |
| | | % distribution losses incurred | Reduction of electricity technical losses to 10% by 2014 | Formulation of a revenue protection strategy | On site monitoring of illegal connections | Electricity losses at 25% | Electricity losses be reduced to 20% | CFO | Electricity losses have been reduced from 33.08% to 31.11% | Not achieved |
| Development of the municipal area is affected by marginalized and dependent communities; | Synergy between Ward Committees, CDW's and Ward Councillors. | All ward committee meet at least 4 times a year and always form a quorum | Strengthen ward committees to enhance public participation with regular meetings by 2011 | Establish and strengthen the public participation unit that will support ward committees | Participation and support | Majority of ward committees are non-functional | | Municipal Manager | All ward committees have met their minimum quantum of four meetings each. | Achieved |
| More effective community consultation, awareness and participation is needed; | Better funding model for Ward Committees. | Ward Committees are restructured and functioning according to the refined model | Ward Committees are restructured and functioning according to the refined model by 2014 | Review the existing policy framework to ensure that it supports functional ward committees: restructure the selection process and functioning of ward committees | Implementation of policy | Policy in place but not followed | Public participation policy and strategy reviewed and adopted | Municipal Manager | The municipality's public participation policy is being implemented robustly. The municipality has established the public participation unit and the customer care unit, both of which are pivotal for the successful implementation of the PP policy. Prescribed notices for the IDP, budget, performance agreements, SDBIP etc. have been published. No petitions were received during the | Achieved |
| Working relationships between Ward Committees, CDW's and Ward Councillors are disjointed and ineffective; | Public Participation and awareness | | | | | | | | | |
| Ward committees are unstable | | | | | | | | | | |

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| and unsustainable | | | | | | | | | <p>year under review and all presidential hotline complaints have been addressed. The municipality's website has been revamped to allow for feedback by communities on any matters that they wish to raise, and a facebook and twitter page have been created. Council meetings have been published in the media. Ward committees have been established, trained and resourced - R500 per quarter sitting allowance paid for attending meetings, provided with cell phones and allocated R100 airtime to each one of the 170 members. Identification tags and clothing for ward committee members acquired</p> | |
| | | | | | | | | | <p>Ward Committee members attending</p> | <p>Ward Committee members attending by</p> |

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| | | | 2011 | committees | | paid R100 for attendance of ward committee meetings | | | the year, except ward 13 that could not meet in the 3rd quarter as a result of by-elections in the ward | since there was no ward councillor at the time to convene the ward committee meeting |
| | | There is at least one ward community meeting per quarter in each ward | | All ward councillors have an annual itinerary for community engagements | | There have been inconsistent, limited engagements with the communities | Each ward councillor convenes at least one community meeting, supported by the public participation unit | Municipal Manager | Ward 1 only had a community meeting in the 2nd quarter; Ward 2 had four meetings; Ward 3 had 3 meetings; Ward 4 had 2 meetings; Ward 4 had 4 meetings; Ward 6 had 2 meetings; Ward 7 had 2 meetings; Ward 8 had 4 meetings; Ward 9 had 1 meeting; Ward 10 had 3 meetings; Ward 11 had 1 meeting; Ward 12 had 3 meetings; Ward 13 had no meeting; Ward 14 had 2 meetings; Ward 15 had 1 meeting; Ward 16 had 4 meetings; Ward 17 had 1 meeting. The inconsistent sitting of some ward community meetings was brought to the attention of the | Not achieved. This matter has been brought to the attention of the Speaker to resolve with the ward councillors |

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| | | | | | | | | | Speaker per email 20/2/2012 | |
| | | Dedicated conversations between the Mayor and stakeholders | | At least two conversations per quarter held by the Mayor | | The municipality's IDP outreach programme is not properly structured to reach all stakeholders | | Municipal Manager | Conversation with Mt Fletcher Taxi Association 15/8/11. Meeting with forestry sector 7/12/11, meeting with business sector 12/12/11, meeting with traditional leaders 13/12/11, meeting with CDWs & ward committees 20/2/12, meeting with Farmers Association 21/2/12, meeting with council of churches 20/5/12, meeting with Youth Council 21/5/112 | Achieved |
| | | At least four oversight committee reports submitted to Council | Strengthen the Oversight role of Council | Develop a schedule of Oversight Committee meetings | | | Oversight Committee established | Municipal Manager | The Oversight Committee/MPAC has met 6 times: - 5/10/2011, 15/11/2011, 23/11/2011, 30/11/2011, 21/2/2012, and 24/4/2012. Training arranged for the MPAC in Aliwal North. The challenges that appear to handicap the operations of the MPAC brought to the attention of | Not achieved The improper functioning of MPAC, including the non submission of oversight reports to the municipal council was reported to the Speaker, who convened a meeting to address the issue during July 2012. A letter |

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| | | | | | | | | | the Speaker. Letter asking for mentorship support sent to the Department of Local Government. | was also forwarded to the Superintendent General of the Department of Local Government and Traditional Affairs (DLGTA) to solicit mentorship assistance for members of MPAC. No response has been received from DLGTA. |
| | | At least four reports submitted by the Mandate Committee to Council | Strengthen the Oversight role of Council | develop a schedule of Mandate Committee meetings | | | Mandate Committee established | Municipal Manager | Mandate committee has not met and this matter has been referred to the Speaker. There have been no further developments. The issue was brought before the midterm performance evaluation panel on 24/2/12 to the effect that MM has no control over the sitting or otherwise of this committee. A report in this regard was in the municipal council on 29 June 2012 | Not achieved. The Council meeting held in September 2012 resolved that the representatives serving in the JGDM be mandated by the standing committees in ELM corresponding to the committees in which they serve at the JGDM. |
| | | Council to | Strengthen | all committees | | | Council | Municipal | Council had 4 | Achieved. |

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| | | meet the minimum statutory requirement for meetings | the Oversight role of Council | to sit for their meetings as per the approved calendar of meetings | | | committees have often not met the prescribed number of meetings per the council calendar and this has negatively affected the functioning of council | Manager | scheduled meetings and 10 actual meetings. EXCO had 10 scheduled meetings and 11 actual meetings. Community Services committee had 10 scheduled meetings and 7 actual meetings. Infrastructure committee had 10 scheduled and 10 actual. Corporate Services had 10 scheduled and 7 actual. Financial services had 10 scheduled and 7 actual. Strategic planning had 10 scheduled and 6 actual meetings. | Although this is recorded as achieved at the level of council meeting its statutory minimum number of meetings, it is noted that the various standing committees did not sit as per schedule, which is a matter that will be escalated to the Executive Committee |
| | | Documented and publicised system for handling community complaints and petitions | Implement systems to improve customer care and interface | Develop and/ or review policy framework governing the handling of complaints and petitions | | Currently there is no structure for submission of complaints and petition | | Municipal Manager | There is active interaction with the Presidential Hotline. Weekly reports received from DLGTA and indicate that 100% of calls logged have been attended to, consistently | Achieved |
| | | Institutionalisation of service standards charter | Implement systems to improve customer care and interface | | | | | Municipal Manager | Service standards charter approved by Council 6/12/2011. Staff trained by SP in October 2011. | Achieved |

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| | | | | | | | | | Service standards charter implementation plans developed and a budget of R200k set aside in the adjustments budget to institutionalise the customer care function. The service standards charter has been at the core of the Mayor's Conversation with stakeholders programme. The document was advertised for public information on 9/2/12. Promotional material has been procured and departmental charters placed in conspicuous spaces | |
| | | Community Development Workers actively involved in operation of the municipality | Integration of community development workers into the Elundini Municipality | Lobby the department based on the integration model adopted by the municipal council | | Currently the CDWs are managed directly from Bhisho, with minimal or no involvement from the ELM in their | | Municipal Manager | The annual plan has been developed and implemented. The premise of the annual plan is the memorandum of understanding signed with the DLGTA. All CDWs have attended the meetings of ward committees in | Achieved |

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| | | | | | | day to day activities. This has often led to tensions between the CDWs and the ward councillors | | | which they operate and have submitted report to the municipality on their activities. | |
| | | Quarterly newsletters developed and distributed to communities | Communication | Continue with the implementation of communication strategy | | Communication strategy in place, quarterly newsletter issued. | | Municipal Manager | The Blue Snow newsletter has been printed quarterly and distributed to communities. The municipality's website is constantly updated. Terms and conditions for website uploading. | Achieved |
| | | Implementation of a comprehensive anti-fraud and anti-corruption strategy | Enhance the capacity of the Elundini Municipality to detect and combat fraud and corruption | Development and approval of a Fraud Prevention Strategy and Policy and Whistle Blowing Policy | | The municipality's anti-fraud and anti-corruption policy was approved in January 2009 | | Municipal Manager | Policies (fraud prevention policy and strategy, whistle blowing policy) were developed and approved. A service level agreement was entered into with Deloitte. Notices were published and staff was trained on their responsibilities as regards reporting of suspected fraud and corruption and the modalities | Achieved |

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| | | | | | | | | | thereof. New letterheads bearing anonymous tip-offs numbers have been printed and numbers also carried in the Blue Snow Newsletter and the website | |
| | | All identified high impact risks successfully mitigated | Improve the municipality's risk profile | Development and approval of a risk register for the municipality | | Audit Committee and Internal audit unit in place | | Municipal Manager | The Audit Committee has met its quantum of meetings - 23/8/11, 28/11/11' 20/4/12 and 27/6/2012. Smooth process in the appointment of new internal auditors - May 2012. Audit of high risks undertaken and report discussed in Audit Committee on 20/4/12. | Achieved |
| | | Signed Memorandum of Agreement with Department of LG&TA | Signed Memorandum of Agreement with Department of LG&TA by 2011/12 | Elevate the liaison to the Office of the Mayor; meetings with MUNIMEC and DIMAFU | Sign agreement | No formal support from DLG&TA | 100% | Municipal Manager | Memorandum of understanding was signed with the DLGTA on 1/7/2011 and submitted to council on 14/9/2011. | Achieved |